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# USSR Report

ECONOMIC AFFAIRS

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USSR REPORT  
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## INVESTMENT, PRICES, BUDGET AND FINANCE

### CALCULATION OF MATERIAL EXPENDITURES IN INTERSECTORIAL BALANCE

Moscow VESTNIK STATISTIKI in Russian No 6, Jun 83 pp 32-40

/Article by L. Gol'denberg, chief of a division of the Administration of the Balance of the National Economy of the USSR Central Statistical Administration: "Working Out Indicators of Material Expenditures in Intersectorial Report Balance"

/Text Work on the compilation of the regular intersectorial report balance of production and distribution of products in the national economy of the country and of the Union republics for a large number of sectors for 1982 continues now. This article sets forth individual, most difficult problems in the elaboration of indices of material production expenditures of the sectors of the sphere of material production in the intersectorial report balance shown in quadrant I of this balance.

The columns of quadrant I of the intersectorial report balance for each sector of the sphere of material production present the structure of material expenditures on output in terms of the sectors of this balance. Indices of depreciation (including underdepreciated value), which is also an element of material expenditures, are recorded below the total material expenditures. The lines of quadrant I reflect the distribution of output of every sector of the intersectorial report balance among all the sectors of the sphere of material production.

To obtain the indicators of quadrant I, it is necessary to calculate the data on the structure of material expenditures for every sector of the sphere of material production (column). After the columns are filled according to the laws of the cross-tabular arrangement, the indicators of lines characterizing the distribution of output are formed. The indicators of the trade and transport markup and of communication services are calculated separately and the appropriate lines of the intersectorial report balance are filled.

The total indicators of material production expenditures in the intersectorial report balance (in exactly the same manner as of gross and net output, of the consumption and accumulation fund and so forth) for the entire sphere of material production and for every sector of the national economy are taken directly from the balance of the national economy (part of which forms the intersectorial report balance) with individual corrections connected with its methodological features. For example, the intersectorial report balance is worked



out in the prices of end consumption formed from the price at which output is released by the producer, of the cost of its transportation and of the cost of payment for services in the sphere of circulation--in trade and public dining organizations, in material and technical supply and sale organizations and in procurement organizations.

The other difference in the calculation of material production expenditures in the balance of the national economy and in the intersectorial report balance is connected with the reflection of the balance of interrelations with the state budget in the regulation of prices of agricultural raw materials. The essence of the latter lies in the fact that some types of agricultural raw materials (grain, wool, raw cotton, livestock, poultry, milk and so forth) are sold by light and food industry enterprises and, accordingly, are taken into account in the production cost of their products at accounting prices, which can differ significantly from purchase prices (especially of livestock and milk). The difference between purchase and accounting prices is paid from the funds of the state budget through a special price regulation account (if purchase prices are higher than accounting prices) or is entered in the budget (if purchase prices are lower than accounting prices). Since the gross output of agriculture is calculated at purchase prices, in the intersectorial report balance, to ensure the balance of "plant growing" and "animal husbandry" sectors, the balance of interrelations with the state budget in the regulation of prices of agricultural raw materials is added to their value in accounting prices. Thus, to obtain the total data of material production expenditures in quadrant I of the intersectorial report balance, the volume of the repeated account of the trade and transport markup (services of freight transport, trade and public dining, material and technical supply and procurement), as well as the balance of interrelations with the state budget in the regulation of prices of agricultural raw materials reflected in this quadrant, should be added to the volume of material expenditures taken from the balance of the national economy.

The sequence of calculations of the indicators of quadrant I lies in the elaboration of the indicators of material expenditures with the acquisition at first of data on the balance of the national economy and then with the addition of the trade and transport markup and of the balance of interrelations with the state budget (the latter in industry alone).

The indicators of tables of calculations of the social product and national income of the Union republics, consolidated totals of the one-time survey of expenditures on production for the year 1982 under review conducted in all the sectors of material production, individual indicators of bookkeeping and statistical reporting and so forth are used for the formation of the indicators of quadrant I. Labor-intensive and complex economic calculations are performed on the basis of the indicated information.

An article explaining some problems of the elaboration in the sectorial report balance of the indicators of material expenditures in industry and construction sectors has already been published in this journal.<sup>1</sup> Not repeating

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1. VESTNIK STATISTIKI, 1979, No 5.

ourselves, we will note the following. Since the intersectorial report balance is formed for "pure sectors," which represent the totality of the production of products of certain groups, on the basis of the materials of the one-time survey it is necessary to form these sectors, that is, at first to determine the volumes of production of their products and then the material expenditures corresponding to them. The volume of output of a "pure sector" is smaller than the volume of output of the corresponding "economic sector" by the amount of output of nonsectorial specialization developed in this sector and bigger than it by the amount of additional output of sectorial specialization at the enterprises of other "economic sectors." After the formation of industrial sectors in the intersectorial report balance and the determination of the expenditures on the production of their products a number of additional calculations accepted in the practice of calculation of indicators of material expenditures (in the part of intraplant turnover, cost of the processed raw materials of the customer, nonproduction expenditures and so forth) are performed.

As already noted here, in the method of compilation of the intersectorial report balance the balance of interrelations with the state budget in the regulation of prices of agricultural raw materials is included in material expenditures in individual light and food industry sectors in the lines "plant growing" or "animal husbandry" and "agriculture--total." The cost of output of the indicated sectors of industry and the cost of output throughout industry increase accordingly.

The following are included in material expenditures in food industry sectors:

1. the difference in the prices of grain (basically, in the "products of the hulling and milling industry" sector, as well as in the "products of the mixed feed industry" sectors) and of livestock, poultry and poultry meat (in the "meat and meat products" sector);
2. additions to purchase prices of ethyl alcohol (in the "products of the alcohol and liqueur-vodka industry" sectors), of starch hydrolysis products (in the "products of other sectors of the food and gustatory industry" sector), of milk and dairy products (in the "milk and dairy products" sector), of fish (in the "fish and fish products" sector) and of eggs (in the "confectionery" sector and so forth).<sup>1</sup>

The following are added to material expenditures in light industry sectors:

1. deductions into the state budget for wool (in the "woolen articles" sector), for raw cotton (in the "cotton articles" sector), for cocoons (in the "silk articles" sector) and for hides (in the "products of the leather, fur and footwear industry" sector);
2. additions to purchase prices of raw cotton (in the "cotton articles" sector).<sup>1</sup>

To obtain data on material expenditures in the "construction" sector, materials of the one-time calculation of expenditures on production in construction organizations are utilized and the appropriate economic calculations are performed. According to the scheme of the intersectorial report balance construction and installation work is singled out in the structure of this sector and is classified according to five construction sectors, that is, industrial, housing, transport, agricultural and other construction. Material expenditures in the "construction" sector in terms of the sectors of the intersectorial report balance are decoded separately for each type of capital

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1. Sectors of the intersectorial report balance are meant.

construction and for individual types of operations and capital investments (construction and installation work; exploitation and deep prospecting drilling of oil and gas wells carried out at the expense of the allocations for capital construction; planning and surveying operations performed at the expense of capital investments; capital repair of buildings and structures and so forth). The consolidated data on the one-time accounting (structure of material expenditures) for the enumerated types of operations and capital investments apply to the grand totals of material expenditures in capital construction obtained during the calculation of the indicators of the social product and national income of the Union republics, as well as according to the data of construction statistics.

The following sectors are singled out in the intersectorial report balance: "agriculture--total," including "plant growing" and "animal husbandry." The basic information on the structure of material expenditures in agriculture is contained in the materials of calculations of the volumes of gross and net output of this sector. The sample one-time survey of kolkhozes and sovkhozes (percent of sampling no less than 10 percent) was conducted only for the expenditures of industrial materials on the production of agricultural products for the decoding of a negligible part of these expenditures.

Material expenditures in agriculture according to their types (sectors of the intersectorial report balance) are decoded by farm categories and within farms, separately for plant growing and animal husbandry with the further summation of data on the total for all farm categories: a) state and cooperative agricultural enterprises (sovkhozes and other agricultural production enterprises); b) kolkhozes; c) interfarm agricultural enterprises and organizations; d) private subsidiary farms of kolkhoz members, workers, employees and other population groups.

The tables of calculations of the social product and national income of the Union republics (table No 8-skh) contain indicators of the value of output separately for "plant growing" and "animal husbandry" sectors, but there are no data on material expenditures in these sectors. In connection with this, first of all, it is necessary to calculate the grand total of material expenditures in "plant growing" and "animal husbandry" sectors, for which it is possible to utilize the indicators of the consolidated table of material expenditures in agriculture (table No 7-skh of the calculations of the social product and national income of the Union republics). This table presents not only the total material expenditures in terms of farm categories, but also individual elements of expenditures (seeds, feed of agricultural origin, other production consumption of agricultural products and expenditures of industrial products, that is, fuels and lubricants, mineral fertilizers, toxic chemicals, biopreparations, drugs, electric power, coal, gas, peat, shale, firewood and other types of fuel and so forth). Every element of expenditures should be put down to material expenditures in "plant growing" or "animal husbandry" sectors.

The data on the consumption of agricultural products for internal needs (seeds, feed and other products--straw for bedding, eggs for the hatching of chicks, manure for fertilizers and so forth) taken from the table No 7-skh for every farm category are distributed between "plant growing" and "animal husbandry"

sectors on the basis of the indicators of the consolidated balance of agricultural products on the farms of producers (table No 10-skh of the calculations of the social product and national income of the Union republics), which is compiled for each of the indicated sectors. Seeds are the product of plant growing and are consumed in this sector. Feed of agricultural origin (mainly the product of plant growing and partially of animal husbandry) is consumed in the "animal husbandry" sector. It should be noted that in the table No 7-skh feed of agricultural origin also includes meal, groats, bran and other grain processing waste, which in the intersectorial report balance are placed in the "products of the hulling and milling industry" sector. Therefore, in the table No 7-skh the indicated products should be excluded from the feed of agricultural origin and included in the feed of industrial origin. At the same time, the correction in the indicators of feed utilization is made only in the part of the expenditures of meal, groats, bran and other grain processing waste that are taken into account in the value of industrial output. The data of consolidated annual reports of kolkhozes, sovkhoses and interfarm agricultural enterprises and organizations according to forms No 6-skh and 16-so, as well as the consolidated totals of the blank of the one-time accounting of expenditures of industrial materials on kolkhozes and sovkhoses according to the form No 1-sel'khoz, are used for these kinds of calculations. For the population's private subsidiary farms meal consumption can be conditionally determined according to the volume of grain processing products singled out in the calculations of purchases of means of production during the computation of the nonproduction consumption fund.

From the structure of the other production consumption of agricultural products, whose total amount by farm categories is established according to the data in the table No 10-skh, individual products are singled out on the basis of the data of balances of the corresponding agricultural products (tables No 1-skh and 1-askh of the calculations of the social product and national income of the Union republics): straw for bedding--the product of plant growing consumed in the "animal husbandry" sector; manure for fertilizers--the product of animal husbandry used in the "plant growing" sector and so forth.

The expenditures of industrial products in agricultural production (on the whole and according to the types of these expenditures with due regard for the correction of feed--meal, groats, bran and so forth) taken from the table No 7-skh by farm categories are distributed between "plant growing" and "animal husbandry" sectors on the basis of the data of the appendix of this table. Oil cake and mixed feed expenditures on private subsidiary farms are classified with the expenditures in the "animal husbandry" sector. The expenditures of the other industrial products on these farms are classified with the expenditures in "animal husbandry" or "plant growing" sectors on the basis of the data of the budgets of kolkhoz members, as well as of the calculation of the volume of purchases of goods used by the population for production needs (purchases of means of production).

The total amount of depreciation and of underdepreciated value taken from the table No 7-skh is distributed between "plant growing" and "animal husbandry" sectors by every farm category in accordance with the correlations of this indicator formed in the annual report of kolkhozes, sovkhoses and interfarm

agricultural enterprises and organizations (form No 6-skh). The depreciation of fruit plantings on the population's private subsidiary farms is put down to material expenditures in the "plant growing" sector and the depreciation of farm structures, to material expenditures in the "animal husbandry" sector (according to the data of the balance of fixed capital).

After the calculation of the grand total of material expenditures, as well as their individual elements in "plant growing" and "animal husbandry" sectors, they are further decoded according to the products list of the sectors of the intersectorial report balance. Some elements of expenditures included in the table No 7-skh of the calculations of the social product and national income of the Union republics and preliminarily divided into expenditures in "plant growing" and "animal husbandry" sectors are put down directly or with insignificant corrections to the corresponding sectors of this balance. The expenditures of seeds, feed of agricultural origin (with a correction), other agricultural products, fuels and lubricants, mineral fertilizers, electric power, gas and cotton seeds are included here.

The overall types of expenditures from the table No 7-skh reflecting the consumption of output of several sectors of the intersectorial report balance for the production of agricultural products are decoded for these sectors on the basis of the consolidated expanded totals of the blank of the one-time accounting of expenditures of industrial materials on kolkhozes and sovkhoses according to the form No 1-sel'khoz. The coordinations of the indicators of expenditures in this report with the indicators of expenditures in the annual report of kolkhozes, sovkhoses and interfarm agricultural enterprises and organizations according to the form No 6-skh, on the basis of the data of which the table No 7-skh is compiled, are presented in the appropriate instructive materials.

Material expenditures in the sectors of the intersectorial report balance are decoded for each farm category. The consolidated expanded totals of the one-time accounting of expenditures of industrial materials on sovkhoses according to the form No 1-sel'khoz are used for sovkhoses and subsidiary farms of enterprises and organizations, the totals of a similar one-time accounting on kolkhozes, for kolkhozes and the total of a similar accounting on kolkhozes, or an adequate structure of expenditures is selected, for interfarm agricultural enterprises and organizations.

The data of the line "spare parts and repair materials" of the table No 7-skh of the calculations of the social product and national income of the Union republics may not coincide with the data of the blank of the one-time accounting of expenditures (form No 1-sel'khoz). This blank, according to the corresponding codes of expenditures, shows repair materials (ferrous metals, hardware and so forth), spare parts and components for the current repair of machinery and equipment and the cost of the current repair of machinery and equipment carried out at subsidiary industrial enterprises of kolkhozes and sovkhoses (code 057 "repair of machinery and equipment" in the blank according to the form No 1-sel'khoz). At first glance it seems that in this blank and in the table No 7-skh the expenditures connected with the current repair of machinery and equipment should coincide or differ negligibly. However, it



should be taken into consideration that in the blank according to the form No 1-sel'khoz., code 057, the current repair of machinery and equipment carried out at subsidiary industrial enterprises of kolkhozes and sovkhozes and taken into account in the annual report of the agricultural enterprise according to the form No PP-godovaya (sel'khoz.) is shown at the actual production cost, including wages on sovkhozes or remuneration of labor in repair work on kolkhozes, as well as the cost of spare parts, components and units used in kolkhoz and sovkhoz shops. However, the same repair is reflected somewhat differently in the annual report of agricultural enterprises according to the form No 6-skh (table No 7-skh of the calculations of the social product and national income of the Union republics is constructed on the basis of this form). In particular, remuneration of labor in repair work is presented here according to the appropriate element of expenditures, not according to the line "spare parts and repair materials."

In the intersectorial report balance the expenditures of the output of the "repair of machinery and equipment" sector (code 057) on the repair of equipment in agriculture represent the cost of the current repair of machinery and equipment carried out at subsidiary industrial enterprises of kolkhozes and sovkhozes (essentially equal to the data of the annual reports of agricultural enterprises according to the form No PP-godovaya /sel'khoz./ on the repair of tractors, agricultural and other machines and equipment--total minus capital repair) and the cost of the payment for work on the current repair of agricultural equipment by outside organizations (data of annual reports according to the form No 6-skh).

On the basis of the data in section V "expenditures on the repair and maintenance of tractors, grain harvesting combines, agricultural machines and motor vehicles" of the annual report of agricultural enterprises according to the form No 20--so it is possible to approximately calculate the amount of expenditures in agriculture on the current repair of machinery and equipment. For this from the total amount of the actual expenditures on repair and maintenance shown in the report according to the form No 20--so (section V, column 5, sum of lines from 0270 to 0322) it is necessary to deduct the expenditures on capital repair (in the same place, column 6). The data obtained will differ negligibly from the indicators of total expenditures in the sectors of the intersectorial report balance reflecting repair materials, spare parts and the cost of the current repair of machinery and equipment.

For other sectors of the sphere of material production (forestry, freight transport, production communication, trade and public dining, material and technical supply and sale, procurement and other types of activity of the sphere of material production) material expenditures in terms of the sectors of the intersectorial report balance are calculated approximately according to one scheme. The total amount of material expenditures for these sectors (and in their structure, for individual types of transport, trade and so forth) is taken directly from the corresponding tables of calculations of the social product and national income of the Union republics. The amounts of depreciation and of underdepreciated value, which are calculated for each sector separately, are excluded from it. Such calculations are based on the fact that the indicators of depreciation in the intersectorial report balance and in

the report balance of fixed capital (according to residual value) are comparable. In practice, the data of the balance of fixed capital on the depreciation (wear) of fixed capital (with some corrections) are used for the calculation of depreciation in the intersectorial report balance.

The total amount of material expenditures (without depreciation and underdepreciated value) is distributed among the sectors of the intersectorial report balance on the basis of the structure of material expenditures obtained according to the consolidated expanded totals of the blank of the one-time accounting of material expenditures for each sector. We will recall that in 1982 the blanks of one-time accounting were differentiated for every sector of the sphere of material production. At the same time, the gross output of communication in the form of services rendered to the enterprises of material production sectors is distributed among the sectors of the intersectorial report balance. The cost of the payment for these communication services is not a markup on the output of the corresponding sectors, but is included in the production cost.

The calculation of the trade and transport markup in the intersectorial report balance lies in the fact that the gross output of freight transport, trade and public dining, material and technical supply and sale and procurement is distributed among the sectors of industry, agriculture and other types of activity of the sphere of material production. In other words, vector-lines for freight transport, trade and public dining, material and technical supply and sale and procurement are calculated.

It is recommended that the trade and transport markup is calculated in the following way: The volumes of sold output in the sphere of circulation (trade and public dining, material and technical supply and sale and procurement) are multiplied by trade and supply rebates after a deduction of the transport expenditures of the organizations of this sphere (are determined in an expert way). For freight transport the volumes of transportation (mostly in physical terms) are multiplied by transportation rates. In practice, the data of statistical reporting, primary documents of transport organizations and so forth are utilized.

The vector-line for trade and public dining (trade superposition) in the intersectorial report balance is calculated separately for retail and wholesale trade, public dining and film renting. The volume of gross output of retail trade is the sum of the volumes of output of retail trade and public dining. At the same time, the trade markup is taken off from the latter. The USSR Central Statistical Administration announces the accounting structure of the trade markup on public dining in terms of the sectors of the intersectorial report balance throughout the country.

To distribute the gross output of retail trade among the sectors of the intersectorial report balance, the volume of retail trade turnover for each commodity group is multiplied by the average percent of the trade rebate in this group. The structure of trade superposition is calculated in terms of the sectors of the intersectorial report balance. The gross output of retail trade is distributed according to it. The calculation of average trade rebates for

each commodity group presents difficulties. Trade rebates are differentiated for urban and rural areas, for regions of the Far North and mountain regions, for workers' supply divisions, workers' supply administrations, food supply agencies and cost accounting organizations and for state trade and consumer cooperatives. Therefore, individual trade rebates should be weighed on the basis of the proportion of retail trade turnover in the total volume of trade turnover in urban and rural areas, regions of the Far North and other regions and so forth. The data of the division of trade statistics (control lists No 1 and 3, tables No 2, 3 and 16 and so forth) are used for such calculations. Average trade rebates are calculated for every commodity and commodity group presented in the drafting tables 3-a, 3-b, 3-d and 3-e of the division of trade statistics separately for state trade and consumer cooperatives.

The gross output of wholesale trade is distributed in proportion to the indicator of the gross result (profit and loss) of wholesale trade for individual commodities or commodity groups (on the basis of the data of the "report on profits and losses" according to the form No 2-bukhgalterskaya). Another method of distribution of the gross output of wholesale trade presupposes the use of the data of the "report on the sale, release and remainders of goods" according to the form No 4-sb (opt) worked out by the division of trade statistics.

The gross output of the "film renting" sector is put down entirely to the sector of the intersectorial report balance "products of other types of activity of the sphere of material production."

The acquisition of information on the distribution of gross output of supply and sales organizations among the sectors of the intersectorial report balance separately according to the supply and sale activity of ministries and departments, of the organizations of the system of the USSR State Committee for Material and Technical Supply, of the All-Union Scientific Production Association for Agrochemical Services to Agriculture and of the USSR State Committee for Supply of Production Equipment for Agriculture presents considerable difficulties. In this case, when according to the directive of the Central Statistical Administration of the Union republics these organizations have not obtained data on the distribution of gross income (gross output) among the groups of commodities, the appropriate economic calculations are performed.

The gross output of the supply activity of the All-Union Scientific Production Association for Agrochemical Services to Agriculture pertains to the sector of the intersectorial report balance "basic chemistry products." The gross output of the supply and sales activity of the USSR State Committee for Supply of Production Equipment for Agriculture is distributed among the sectors of the intersectorial report balance in proportion to trade turnover, which is shown in the appendix to the "report on the movement of goods in monetary terms" according to the form No 1 "agricultural equipment" (statistical reporting).

The gross output (gross income) of specialized marketing organizations of the system of the USSR State Committee for Material and Technical Supply is assigned to the sectors of the intersectorial report balance on the basis of their specialization (for example, of the coal marketing organization, to the



coal industry, of the petroleum marketing organization, to petroleum refining products and so forth). The gross output of the territorial administrations of the system of the USSR State Committee for Material and Technical Supply is distributed among the sectors of the intersectorial report balance through multiplication of the volume of wholesale of output for production and technical purposes taken into account in these administrations according to consolidated industrial groups by the appropriate percent of rebate for every group of commodities. The subdivision of individual overall groups of commodities among the sectors of the intersectorial report balance is made by conventional methods with the use of the structure of expenditures in the national economy or the structure of output.

In each ministry and department separately for supply and sale activity gross output is calculated according to the following scheme: distribution costs minus expenditures connected with the payment for hired transport, minus extra charges and markups paid by suppliers and plus the profit (minus loss) from sales. The gross output of sales activity of every ministry pertains to the sectors of the intersectorial report balance on the basis of its specialization. For the supply activity of ministries and departments, in the absence of direct data on the sale of stocks of individual groups of goods, it is necessary to perform conventional calculations, which make it possible to disclose the range of output passing through the supply bodies of a given ministry with its further decoding according to the structure of expenditures in this ministry.

The gross output of procurement organizations is almost fully put down (in the form of a markup) to the "agriculture" sector and partially to the sector "other types of activity of the sphere of material production." The markup of procurement organizations is determined according to the data of the table No 17-zag compiled by the Administration (Division) of Statistics of Agriculture of the Central Statistical Administration of a Union republic. The volume of gross output is calculated for every ministry and every organization singled out in this table and is distributed throughout "plant growing" and "animal husbandry" sectors.

The gross output of freight transport is calculated as the proceeds of transport organizations from freight conveyance and from other operations connected with its transportation (loading and unloading operations, warehouse operations and so forth). When compiling the intersectorial report balance, it is necessary to determine the freight from the conveyance of which transport income is formed. The income from freight conveyance is determined for individual types of transport (railroad, maritime, river, motor, air, gas and petroleum pipeline, timber rafting and land transport). The volume of gross output of each type of transport is taken from the tables of calculations of the social product and national income of the Union republics. In the sectors of the intersectorial report balance it is distributed in proportion to the calculated structure of income from freight transport.

The gross output of gas pipeline transport is directly put down to the sector of the intersectorial report balance "gas industry products," of petroleum pipeline transport, to the "petroleum extraction products" sector, of timber rafting, to the "timber procurement industry products" sector and of land transport, to the "agriculture" sector.

The income from railroad freight transport of the Ministry of Railways is distributed on the basis of the data of statistical reports according to forms TsO-11, TsO-12 and TsO-18 available in railroad administrations. The income from maritime freight transport of the Ministry of the Maritime Fleet and from river, motor and air freight transport is decoded among the sectors of the intersectorial report balance on the basis of the appropriate forms of reporting, which contain this type of information. The methods of its utilization are set forth in instructive materials. In a number of cases it is necessary to decode the overall items of freight in these reports and to obtain additional information in transport organizations.

During the distribution of the gross output of freight transport among the sectors of the intersectorial report balance (in the form of a transport markup) such problems as the reflection in it of expenditures connected with the payment for transport included in the production costs of the products of industry, construction, agriculture and some other sectors arise. The work of transport organizations on transit freight transportation through the territory of a republic (this is the export of transport services) must not be considered a transport markup in the Union republics.

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## REGIONAL DEVELOPMENT

### ESTONIAN GOSPLAN CHAIRMAN OUTLINES DEVELOPMENT

Moscow PLANOVYE KHOZYAYSTVO in Russian No 9, Sep 83 pp 89-96

[Article by G. Tynspoyeg, deputy chairman of the Estonian SSR Soviet of Ministers, chairman of the Estonian SSR Gosplan: "Reserves for Increasing the Effectiveness of the Estonian SSR Economy"]

[Text] Questions of comprehensive economic and social development are the constant center of attention of the Estonian Communist Party Central Committee and the republic Soviet of Ministers. Among the Prebaltic republics, the ESSR possesses relatively great reserves of natural raw materials. For example, industry which is based on the utilization of local mineral resources yields around 15 percent of gross production. Economic intensification requires the solution of a number of problems in improving planning, strengthening the initiatives of local organs, and at the same time eliminating the departmental approach to the solution of economic and social problems.

In recent years, definite success has been achieved in Estonia in increasing production effectiveness. Based on an increase in social production and an improvement in its effectiveness, the further implementation of measures directed at fulfilling the social program adopted by the 26th CPSU Congress is being outlined. Monetary income of the population with consideration for increase in the average wage of workers and personnel and kolkhoz worker wages in 1983 will increase by 3.3 percent (in 1982 the average wage comprised 197 and 227 rubles per month respectively, while the income from subsidiary farming by a kolkhoz family in 1982 amounted to 1,125 rubles). Along with the growth in the labor wage, an increase in the social consumption funds is anticipated in the amount of 3 percent per capita. The republic's industry will produce goods for public consumption in 1983 in the sum of 3.3 billion rubles by retail prices, which significantly surpasses the annual wage fund of the republic's workers and personnel.

The improvement of economic development indicators depends on numerous factors, but primary analysis should be performed on the increase in economic effectiveness due to intra-republic capacities. For the period of 1966-1981 the overall volume of industrial production increased by 2.8 times in the republic, which corresponded approximately to the all-union growth, while the growth in the gross production of agriculture was several points ahead of the USSR growth rate. For the indicated period, the average annual number of workers in the republic increased by 18.5 percent. The distribution of the population engaged

in the national economy by sector corresponded roughly to the all-union distribution. This is evidenced by the data presented below for 1981 (in percentage points).

Industry and construction .....	43.0
Agriculture and forestry.....	13.2
Public health, physical culture, social services, public education, culture and science.....	16.4
Transport and communications.....	9.7
Trade and public food service, material- technical provision, sales and procurement..	9.3
Other sectors.....	8.4

The successful solution of economic and social problems is well illustrated by the consolidated indicators of production activity per capita. Among the union republics, the ESSR occupies one of the leading places in these indicators. For example, in 1980 its gross national product was 37 percent higher than the average in the Soviet Union, its national income was 27 percent higher, its industrial production was 39 percent higher, and its agricultural production was 64 percent higher. Such variance in the summary general economic indicators is conditioned by the effective specialization of the republic in the maritime complex of sectors and the production of labor consumptive, expensive products in industry as well as in agriculture.

In the years of the 11th Five-Year Period, over a 90 percent growth in the national income is anticipated due to the increase in labor productivity. The capital-labor ratio is being increased by 1.2 times, while the consumption of electrical energy in the national economy is increasing by 1.3 times. The questions of strengthening the intensification of production are very important in this five-year period also because the increase in labor resources in the republic is decreasing by almost three times as compared with the 10th Five-Year Period. A reduction in the number of workers engaged in industry is planned. For successful implementation of the outlined goals it is necessary to possess modern technology, to constantly improve technological processes, and to conserve production resources. The Central Committee of the Estonian Communist Party and the republic's Soviet of Ministers have focused and are continuing to focus attention on improving the training of managers and specialists in the national economy, considering this a significant reserve for achieving the goals of the party's economic strategy, solving practical problems on intensifying the national economy stemming from the decisions of the 26th CPSU Congress, and fulfilling the plan for the 11th Five-Year Period.

The republic institute for training advancement was created in 1978. It is subordinate directly to the republic's Soviet of Ministers which, as practice has shown, has a positive effect on the work of the institute. It is given a corresponding modern base, and the institute is equipped with the necessary equipment. Great help was given by the USSR Minvuz [Ministry of Higher and Secondary Specialized Education] and its educational-methodological management for training advancement. It is enough to say that already in 1980, of all the managers and specialists in the republic national economy who have advanced

their level of training at the institutes and at faculties for training advancement at VUZes, with the exception of pedagogs and physicians, almost 39 percent accomplished this at the given institute.

Today in the republic there are 17 organizations operating under various subordination which implement advancement of training. The coordination of work on advancing the level of training implemented by the republic intersectorial soviet on advancement of training bears an episodic character. The need for creating a single center in the republic on questions of organization and methodical management of the system of training advancement is evident, and the republic intersectorial institute for training advancement of management workers and specialists in the national economy must become such a center. Evidently, an appropriate subsection must be formulated in the institute for this purpose, with delineated rights and clearly formulated responsibilities.

In determining the directions of industrial development, consideration is given to the need for eliminating a number of constrictions by means of directing capital investments to the expansion of the industrial infrastructure (foundry production, warehouse management, etc.), further integration of kol-khoz and sovkhoz subsidiary production with the state sector of industry, development of industry in small cities and settlements of the republic, dispersion of commercial bases on its territory, and other measures. This will make it possible to make better use of labor resources and to increase the productivity of social labor.

A program of fuller, more comprehensive utilization of natural and raw material resources has been developed in the republic. For these purposes, the creation of new capacities is being outlined for the production of wood splint-slabs, semicoking fine grain shale in a fluidized bed, increasing the degree of processing of agricultural and other types of raw material, and significantly improving the utilization of secondary resources. The perspective at the Rakvereskiy phosphorite deposit provides for the construction of a shaft for the production of phosphoric concentrate with comprehensive utilization of all the components. Capacities for manufacturing high-grade portland cement with the use of shale ash are planned for operational introduction. In connection with the closure of the phosphorite mines in the settlement of Maardu and for the purpose of fuller realization of the scientific potential, the Maardu Chemical Plant will specialize in the manufacture of non-toxic means of chemical vegetation protection.

A significant portion of the capital investments into industry is envisioned for the development of the fuel-energy complex and the chemical industry in the republic. The utilization of a significant part of the capital investments for developing capital-intensive sectors (the power industry, the fuel and chemical industry) will entail advancement of the growth rate in the capital-labor ratio as compared with the growth of labor productivity on the whole.

The specialization of agriculture in the ESSR on animal husbandry has yielded good results. At the beginning of the current five-year period, the production

of meat in the republic comprised 133 kg per capita (dressed weight), and the production of milk -- around 800 kg. The average fodder expenditure ( in the public sector) for the production of one centner in hog weight gain was 5.9, and for the production of milk -- 1.1 centner of fodder unit, which according to 1980 data exceeds the results of other Prebaltic republics. The production of gross agricultural production computed per worker comprises 9,233 rubles. For the period of January through May of 1983, the average realized weight of one head of cattle reached 431 kg, and for one hog -- 103 kg. The average daily weight gain of cattle fattened during this period was equal to 593 grams, and for hogs -- 453 grams. These are the average republic indicators. However, in many farms the indicators of economic effectiveness are even higher.

The Food Program of the ESSR to 1990 provides for an increase in the production of meat and dairy products based on the development of an autonomous fodder base and the solution of a number of animal husbandry problems. The production of feed for the decade will increase by 1.4 times, which by 1990 will lead to an increase in the specific weight of feed produced here of up to 78 percent of the feed balance, as compared with 72 percent in 1980. For purposes of reducing feed losses during storage, retention of their quality and value as fodder, the full provision of warehouse area needs is envisioned.

The main direction in increasing milk production consists of increasing the productivity of cows. In order to bring the average annual milk yield per cow in 1985 to 3900-4000 kilograms and in 1990 to 4200 kilograms, it is necessary, along with improving feeding to also increase the level of breeding work, to reduce the number of dry cows, to improve raising of pedigreed stock, and to implement other measures. In order to achieve the volume of meat production outlined in the program -- about 200 kilograms (dressed weight) per capita -- along with the intensification of production it is also necessary to increase the livestock population of hogs, cattle and sheep.

Measures have been taken for increasing agricultural production at subsidiary farms, thanks to which the volume of production has begun to increase since 1982. For purposes of intensifying the interest and initiative of rayon organs and farms in increasing the production of meat and milk by the private subsidiary farms, effective in 1983 a unified quota has been established for the purchase of meat and milk (without designation by categories of farms) by the ESSR APK [Agrarian-Industrial Complex], the agro-industrial associations of the republic's rayons, as well as by the kolkhozes and sovkhoses. The latter themselves distribute the production quotas to the public and individual sectors on the given territory.

The most important condition for the successful realization of the ESSR Food Program is the full provision of agricultural production with qualified personnel. An increase in the number of kolkhoz and sovkhos workers of 8,000 people by the year 1990 is envisioned, including 5,000 people in agricultural production (particularly machine operators and cattle breeders). To attain this end, the preparation of qualified personnel for agriculture is being doubled. The network of existing vocational-technical schools is being expanded, and provision is being made for the construction of three new ones. At the same time, the kolkhozes and sovkhoses are taking measures for en-



couraging the youth to attend the schools and for assigning them to farms. We must note that as of 1983, agricultural specialists within the system of the ESSR Gosprofobr [State Committee for Vocational and Technical Education ESSR] are also being trained at urban vocational-technical schools.

Within the structure of expenditures for the development of the republic's agricultural complex, the assets for the construction of residences, schools, children's preschool institutions and "kindergarten-three-year school" complexes, and cultural, medical and domestic service facilities are increasing (primarily due to the reduction in rural industrial construction). The portion of assets allocated for the development of the rural social infrastructure in the overall sum of capital investments envisioned for the development of agriculture in the 11th Five-Year Period will increase to 18 percent, and in the 12th Five-Year Plan -- to 26 percent, as compared with 16 percent in the 10th Five-Year Period. Such a decision is conditioned by the fact that the improved utilization of the production potential today depends to a greater degree on the development of the social infrastructure in rural areas and the consolidation of qualified personnel at the farms.

The main purpose of the Food Program is good provision of the population with food products. However, there are also a number of other goals, among which the social development of the farm has an important significance. It is necessary to increase the prestige of agricultural labor. In order to do so, it is necessary to solve housing problems and problems associated with domestic and cultural services, the conditions during working hours, the reduction of physically hard labor, child rearing, etc.

Great resources are needed to accomplish this end. Considerable state funds are being allocated to bring rural life up to the modern level. However, it is clear that if only state and kolkhoz funds are used, this process will take longer than desired. In our opinion, the assets of the rural residents themselves should be attracted to the transformation of rural life. It would be quite natural for a person to invest his own money and labor into the creation of his single-family dwelling. This would facilitate keeping the work force at the farms. At the same time, the additional monetary means and labor of individual builders would make it possible to increase the volume of rural residential construction. Does the farm worker have enough money for this? Statistics show that he does. The average monthly wage of kolkhoz workers last year comprised 227 rubles, while the income from subsidiary private farms per single kolkhoz family exceeded 90 rubles per month.

The substantiation of size of stock-raising farms has been reflected in the republic's Food Program. For example, it recommends creating dairy farms of no more than 400-600 head of cattle.

Excesses were also permitted previously in the sphere of concentration of the social infrastructure. The large facilities created in the rayon centers are not being utilized effectively, and each week the rural resident loses much time waiting for mobile shops or commuting to the center for goods. It is also inexpedient to build large inter-farm children's institutions, since needless time is wasted for transporting children, and then their parents to

and from work, as a result of which the duration of their work time is reduced.

The tasks of the Food Program consist not only in increasing the production of agricultural products (although this is, of course, the main point), but also in accelerating the social transformation of the farm. The growth of monetary income and the creation of food products in abundant supply naturally affect the population's standard of living, but the structure of expenditures must also change. In the course of overall social development, it is necessary to alter the people's way of thinking, and as a result also the structure of expenditures. As of 1983, the USSR Gosplan has allocated more building materials and sanitary engineering technology for the marketable stock of goods in the republic, which are distributed in a centralized order. However, considering the growth in the monetary income and the structure of expenditures by the population in the republic, this stock must be even greater.

In recent years in Estonia, measures have been taken for seeking out local reserves for increasing product production in order to better satisfy the demands of the population. For example, in 1982 at the expanded meeting of the ESSR Gosplan, means for increasing the production of building materials were discussed and outlined. The output of most building materials in the republic (cement, small blocks made of slate ash, Eternit, silicate and red brick, wood-splint and wood fiber slabs, and commercial lumber) is based on local raw materials. At the same time, however, individual builders experience a shortage of almost all the indicated materials. Either there are not enough of the required production capacities or the production and sale of materials are poorly organized, etc. In other words, the appropriate ministries and departments have to date not devoted enough attention to this matter. Good organization of production and marketing of building materials makes it possible to alleviate problems of living space and goods turnover, as well as to solve the food provision problem by means of increasing individual and collective subsidiary farms.

The primary direction in state activity in the economic sphere is to strengthen and increase public ownership. This entails the provision of coordinated work of the national economies of all the republics and the national economic complex of the country, its balance and proportionality. This, of course, is the primary concern of the planning organs. However, we must say that such work cannot be mechanically reproduced at all levels of plan compilation. Although provision of economic integrity requires the orientation of all its segments to the achievement of high end results, the means of ensuring it at different levels of planning must vary. In expanding the initiative of sectorial and local organs, associations and enterprises, it is necessary to be guided by the specific conditions of economic operation in the given economic rayon and republic, but it is also necessary to consider the conditions at a higher, state level.

For example, obtaining fuel, raw materials and production of electrical energy are today associated with increased expenditures. In our republic, thanks to the local raw material -- oil shale -- there is a possibility to increase production and consumption of electrical energy, particularly during



during nighttime, and in certain cases -- to transform it into thermal energy (in agriculture, in the resort area, in domestic life and other spheres). By this means we may reduce the consumption of fuels which are in short supply in the republic and also to save expenditures on transport, freeing its capacities for other needs. It is also possible to increase labor productivity in agricultural production and in communal-domestic service to the population by means of freeing the work force engaged in the production of thermal energy in small boiler facilities. The application of boiler facilities with electric boilers having a total established capacity of 50 MW in agriculture would make it possible to free around 900 people.

The growth in electric power consumption, particularly during non-peak hours (at night) requires from the consumers the implementation of preparatory work enabling the transformation of electrical energy into thermal, and on this basis an increase in product production. Certain success in such work has been achieved in agriculture (the introduction of an incentive tariff and limit on the consumption of electrical power at night and the installation of electrode boilers).

The main goal of our state's economic policy consists of improving the well-being of the workers and creating material prerequisites for the spiritual and cultural development of the people. The solution of this problem is possible along the way of intensifying social production, increasing its effectiveness, accelerating scientific-technical progress, and rational utilization of the production potential. One of the significant factors in ensuring the proportional and dynamic development of the national economy is the zealous utilization of the exploited resources and, consequently, the development of an appropriate form of thought.

In the article, "Teachings of Karl Marx and Certain Questions of Socialist Construction in the USSR," CPSU Central Committee Secretary General Yu. V. Andropov wrote: "Let us take, for example, the question of economy, of the rational utilization of material, financial, and labor resources. Its solution determines to a large degree also the fulfillment of the tasks of the current five-year period, as well as the development of our economy in perspective. If we think about it, we are speaking here of maintaining that necessary norm in economic management which is prescribed by socialist ownership and whose essence consists of a careful attitude toward the people's property and in its inspired and energetic multiplication. Infractions of this norm must be paid for by all of society, and it has the right to hold strictly accountable those who squander its riches due to negligence, ineptness, or self-interest."\*

The analysis of the state and application of basic assets in Estonia conducted in 1982 showed that there are shortcomings in this regard, and that by far not

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\* Yu. V. Andropov. "Ucheniye Karla Marksa i Nekotoryye Voprosy Sotsialisticheskogo Stroitel'stva v SSSR", [Teachings of Karl Marx and Certain Questions of Socialist Construction in the USSR], Moscow, Politizdat, 1983, p 10.

all reserves are being utilized. At the beginning of 1982 the national wealth of the republic comprised 22.1 billion rubles, i.e., 14,700 per capita of the population. Its main portion was comprised of production and non-production fixed capital. The value of fixed capital in the national economy of the ESSR at the beginning of last year was equal to 13.9 billion rubles, or 9,200 rubles per capita.

The fixed capital will continue to increase in the future based on the construction of new plants and infrastructure facilities. However, the relative share of this factor in achieving the main goal of the economic policy is gradually diminishing. The main effect must be given by better utilization of the available fixed capital, the reconstruction of operating enterprises and the technical retooling of production. It is necessary to set the goal of formulating the proper approach to more effective utilization of the fixed capital and better organization of its reproduction. The criterion for evaluating the work of managers of ministries, enterprises and scientific workers in this sphere must be changed. Often the criterion for the efficiency and competence of a production manager was considered to be his inclusion of the construction of new facilities in the plan. However, from the standpoint of the national economy it is more important to effectively utilize the existing fixed capital, both productive and non-productive.

For the period 1971-1980 the fixed production capital of our republic increased by almost two times, or by an average of 6.9 percent a year. The relative share of active fixed capital increased. An analysis of the dynamics in the structure and growth of fixed capital allows us to determine the primary task: increasing the technical level of fixed capital and its modernization. This is the primary direction in the application of scientific and technical achievements, in increasing labor productivity and in reducing the demand for the work force at the present time. Specific means of solving this problem were outlined by the resolution of the CPSU Central Committee and the USSR Soviet of Ministers dated 12 July 1979, which provided that capital investments and necessary material resources should primarily be directed toward retooling and reconstruction of existing enterprises. The second significant aspect of retooling production and its technical and organizational development is the improvement in working conditions, the change in the character of labor in regard to increasing the educational level of the workers, the growth of their knowledge and the development of their abilities.

Thus, technical retooling of enterprises should be considered an important means of transition to intensive economic management, one of the basic conditions for increasing production effectiveness. Without retooling at existing enterprises, it is impossible to utilize the achievements of scientific progress. Consequently, reconstruction and retooling create the prerequisite for introduction of new technology.

Increasing labor productivity and production effectiveness presupposes a systematic modernization, a renewal of the fixed production capital, primarily the active fixed capital. However, recently this renewal has slowed down, which is confirmed by an acceleration of its depletion. While in 1971-1975

the degree of depletion of fixed production capital increased by an average of 0.4 points per year, in 1976-1981 it grew by almost one point per year. In other words, the rate of depletion increased by 2.5 times. This is partially explained by the setting of new amortization standards in 1975. However, as compared with the previous norms they increased by 15 percent.

In comparison with other sectors of the economy, the depletion of fixed capital in industry is greatest. In 1976-1981 it comprised an average of 1.6 points per year. For example, at enterprises of the Ministry of the Construction Materials Industry and the Ministry of the Timber and Wood Processing Industry of the Estonian SSR, as well as in the "Estonbumprom" association, the degree of depletion of fixed capital at the beginning of 1982 was equal to 48.5, 42.3 and 52.5 percent, respectively. The critical value of the degree of depletion has not been determined, but we may presume that with regular replacement and stable prices it must exceed 50 percent. Consequently, the enterprises where the examined indicator approaches the indicated value or exceeds it are falling behind in renewing their fixed capital. Sooner or later this will lead to a reduction in the production capacity and to idle time, which is being observed in the construction materials industry and in the cellulose-paper industry in the republic.

The insufficient renovation of fixed capital is also evidenced by the growth in its rate of depletion by 1.0-1.5 points per year. From time to time such growth may occur, but over a long period of time it will inevitably lead to excessive depletion of the fixed capital and instability of production. However, in places where the fixed capital is renewed in sufficient measure, its rate of depletion does not increase significantly. Such a situation is noted, for example, at the enterprises of the Ministry of the Meat and Dairy Industry and the Ministry of the Food Industry of the Estonian SSR.

The problems of reproduction of fixed capital must be approached in a comprehensive manner. In recent years, as a result of implementation of decisions on transferring production to the path of intensive development, the indicators for reproduction and utilization of fixed capital have improved. A significant role in this belongs to modernization of the capital and renovation of the machine tool pool. In connection with this, changes must be introduced into capital investment planning. An increased level of training of the specialists providing application of the new engineering and technology is also required.

The savings fund and the amortization allowances for renovation serve as the sources for financing capital investments. The latter are formed due to means which must provide complete (physical as well as moral) restoration of the fixed capital. It is expedient to utilize the prevailing portion of means directed toward the restoration of fixed capital for retooling the enterprises. What is the actual situation? In 1976-1980 the amortization allowances for full restoration of fixed production capital comprised 1.6 billion rubles, while the means for technical retooling and replacement of available equipment comprised only 25 percent. At the same time, as we have already noted, in the 10th Five-Year Period the allowances for renovation comprised 1,600 million rubles, while the old fixed capital were liquidated by only 600 million rubles.

These data characterize the reproduction of fixed capital in the republic as a whole. However, in certain ministries and enterprises the situation has noticeably deteriorated. For example, the capital investments in the system of the Ministry of the Construction Materials Industry of the Estonian SSR in the past five-year period comprised 36,900,000 rubles. The means for renovation alone turned out to be 34,00,000 rubles. In 1982 the sum of capital investments was even less than the means for renovation (8,203,000 and 8,227,000 rubles respectively). New production capacities were generally created by the capital investments.

The enterprises of the republic's Ministry of Light Industry are undergoing intensive retooling, where the relative share of the corresponding expenditures in capital investments constantly exceeded 50-60 percent. In 1981 these expenditures even comprised 74.2 percent. All amortization allowances were directed toward retooling, with full reproduction of the fixed capital being envisioned -- 10,900,000 rubles and additionally 6,400,000 rubles.

Technical retooling means not only the replacement of old equipment with new, but also the mastery of new types of materials, the utilization of secondary raw materials, the conservation of energy, the improvement of technological processes and auxiliary production, and the improvement in the organization of production and management. In close cooperation with the sectorial institutes and plants manufacturing equipment, the Ministry of Light Industry in Estonia significantly over-fulfilled the plan for reconstruction and retooling of production in the 10th Five-Year Period. By the end of this period, almost 10,000 pieces of equipment operating according to new technology had been installed at the ministry enterprises. Comprehensive mechanization had been introduced in 19 shops and 50 sectors. Comprehensive mechanization of the Tartu Sewing Factory "Sangar" had been completed. The application of new equipment, machines, machine tools, and automatic flow lines provided a 21 percent increase in labor productivity within the sector and made it possible to free 6,000 persons and direct them to other jobs. The economic effect of using scientific-technical innovations comprised 17,000,000 rubles.

The active search of the ESSR Ministry of Light Industry in the area of increasing labor productivity is evidenced by the reconstruction of the "Baltiyskaya manufaktura" Combine. The application of new equipment and the expansion of zones of servicing ensured a significant growth in the average labor productivity of the spinners by the end of the 10th Five-Year Period. As a result of the reconstruction, the labor of over 1000 people was saved at the combine, whose overall number of workers was reduced by almost 500 people. At the same time, yarn production increased by 30 percent, and the production of raw material -- by more than 10 percent. The gross production of the combine in comparable prices increased by over a third, while the labor productivity increased by more than two-thirds. The working conditions were noticeably improved. There was less noise, dust and vibration in the shops. Part of the workers were able to work in two shifts instead of three. The average wage of the workers also increased. All this was accompanied by a reduction in the labor turnover.

Another example of the high effectiveness of retooling is the modernization of the Pyarnu Flax-Harvesting Combine in 1980-1982. The outdated AT-type weaving looms were replaced by highly production STB-type looms. The sum of 950,000 rubles was spent for this purpose, of which only 100,000 (10.5 percent) was spent on construction-installation work. The production capacity of the combine (computed for linen fabric) increased by 22 percent, while the number of workers was reduced by 40 people. The labor of 214 people was economized. To create this same production capacity it would have been necessary to spend at least 8,800,000 rubles, or almost 10 times more than was spent for modernization. At the same time, additional work force would have been required.

However, on the whole throughout the republic the situation regarding modernization and retooling of production is far from satisfactory. While in light industry in 1981 over 74 percent of the capital investments were used for this purpose, in the republic as a whole only 20.4 percent of the capital investments were designated for production. In 1981 the capital investments for retooling production in Estonia were reduced by three percent. The retardation in renovation of fixed capital is also evidenced by the fact that the number of units of equipment used in industry for 20 or more years increased by 3,000 in the past three years, while their relative share increased from 5.5 to 6.3 percent. The coefficient of renewing fixed capital in state industry dropped from 10.3 in 1970 to 5.4 in 1981.

The planned technical renovation of production requires that the ministries and enterprise managers organize the planning of retooling qualitatively and temporally at the same level as this is done at other construction sites included in the plan. Consequently, the USSR ministries and departments must determine in plan order the corresponding limits for project work on the technical retooling of production.

The effectiveness of utilizing fixed capital depends in great measure on its timely and quality repair, as well as on its maintenance. Judging by the means expended, the situation with its replacement has somewhat improved. In the national economy of the ESSR (with the exception of the kolkhozes) in 1981, 97.3 percent of the sums provided for capital repair of fixed production capital was utilized. However, the means provided for capital repair were not utilized uniformly. 1.7-1.8 times more means are systematically expended for the capital repair of production buildings in the republic than the amortization allowances allocated for this purpose (each year the over-expenditure comprises 10-11 million rubles). This may be partially conditioned by the non-correspondence between the effective amortization norms and the degree of wear of production buildings, as well as the increased cost of construction and repair work as compared with the restorative cost of repaired facilities.

Undoubtedly, the repair of excessively worn and morally outdated buildings often does not pay for itself, and it is more expedient to replace them with new ones. However, sometimes the means provided for capital repair are used for obtaining new fixed capital for the purpose of expanding production. The fact is particularly alarming that sums of money intended for the repair of active fixed capital are spent for the repair of buildings. In the republic's

industry, amortization allowances for the repair of machines and equipment were constantly utilized to a lesser degree than envisioned: in 1981 -- by 12,200,000 rubles, in 1980 -- by 25,100,000 and in 1979 by 12,500,000 rubles less. Thus, in the three years examined, the capital repair of machines and equipment due to amortization allowances was not performed to a sum of 49,800,000 rubles.

A significant part of the fixed capital in the national economy comprise fixed capital in the non-productive sphere (residential communal farms, facilities for the public health and education systems, etc.). At the beginning of 1982 their cost equalled 4.9 billion rubles, i.e., 35.5 percent of the fixed capital in the national economy. Judging by the general indicators for the degree and intensity of wear, the condition of the fixed capital of non-productive function in the republic is better than that of the fixed production capital. The average degree of their depletion in the past year comprised 27 percent, i.e., it was 10.8 points, or almost one-fourth, lower than the corresponding indicator for fixed production capital (37.8 percent). It is good that the rates of their depletion have also dropped. While in the 9th Five-Year Period the depletion of fixed capital of non-production function increased by an average of 0.8 points per year, in 1976-1981 it increased by only 0.2 points. However, the retardation in the depletion of non-productive fixed capital is explained primarily by the intensive operational introduction of new facilities. Thus, as a result of widespread residential construction in the past six years, the degree of wear of residential facilities has increased by only 0.2 points, while that of public health and sports structures even decreased (in 1975 -- 23.6 percent, in 1981 -- 22.9 percent).

The increase in the volume of capital repair of the available housing, however, is lagging behind the growth in housing itself. This is confirmed by the fact that the relative share of production capital repair in housing management in the overall sum of amortization allowances fell from 47.6 percent in 1975 to 42.1 percent in 1981. Computations show that in 1981 the cost of capital repair on facilities in the non-productive sphere were almost 10 million rubles less than the corresponding amortization allowances. From the indicated sum, 5 million rubles went to housing management, 2 million to facilities in the public health system, and 3 million rubles went to facilities in the education system.

The state of capital repairs for general education schools is unsatisfactory. A number of nursery schools and pioneer scout facilities require capital repair. Schools and children's institutions in the ESSR Ministry of Education require annual capital repair in a volume exceeding 5 million rubles. In actuality, however, 3.5-4 million rubles are expended on capital repair. The large volume of capital repair to school buildings is conditioned by the need to modernize old buildings (to install central heating, water supply, sewage, etc.), which in our opinion requires the creation of specialized construction organizations.

It is also necessary to note that the provision of the republic with the basic repair materials has not improved significantly in recent years. In 1981-1983



the republic was allocated less lumber materials, cement, building glass, roofing shingles, soft roofing material, bitumen and other materials than were required. The store of roofing shingles and building glass used for repair has even diminished. Fixed capital in the republic is increasing an average of 4-5 percent a year, while the need for repair is increasing even more rapidly if we consider unfinished work. In our opinion, it is desirable to increase the assets for repair work, for example, at the expense of reducing new construction.

The problem of better utilization of fixed capital, its maintenance and reproduction is multi-faceted and complex. It begins with the creation of fixed capital and the provision of its quality, which depends primarily on the work of machine builders, workers in the building materials industry and builders, and ends with their utilization. The managers of enterprises, institutions and organizations, as well as ministries and other departments are responsible for the operation of the fixed capital, their preservation and routine maintenance. This problem must be dealt with constantly and systematically, working out a proper attitude and economic posture in caring for fixed capital and in its reproduction.

The resolution of the November (1982) Plenum of the CPSU Central Committee states that the most important task is the overall increase in the level of work on further improvement of planning and management of the economy and development of the style and methods of economic management. Speaking at the June (1983) Plenum of the CPSU Central Committee, CPSU Central Committee Secretary General Yu. V. Andropov stressed that "first of all we must make order in that which we have, to ensure the most rational utilization of the production and scientific-technical potential in the country..."\* The efforts of economists and all the labor collectives of the ESSR are presently directed toward the solution of these problems. It is important that the new principles of work enter practical life at all levels of economic management and direction of the economy in the shortest possible time.

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\* "Materialy Plenuma Tsentral'nogo Komiteta KPSS 14-15 Iyunya 1983 Goda", [Materials of the Plenum of the CPSU Central Committee, 14-15 June 1983], Moscow, Politizdat, 1983, p 9.

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## REGIONAL DEVELOPMENT

### INTERSECTORIAL BALANCING IN RSFSR VIEWED

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[Article by V.P. Loginov, N.A. Guzenko (deceased) and I.R. Kurnysheva: "The Regional Aspect of Economic Balancing"]

① [Text] In this article an analysis of RSFSR intersector balances is used as the basis for studying the proportions of expanded reproduction in that republic, for showing the conditions of economic balancing, and for discovering the reasons for changes in the dynamics of the macro-indicators of its development. Some space is given to an analysis of the influence of the 1982 wholesale price changes on the dynamics of the indicators and the cost proportions of reproduction.

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The materials of the 26th CPSU Congress and the 12 July 1979 decree of the CPSU Central Committee and the USSR Council of Ministers "On Improvement in the Planning and Strengthening of the Economic Mechanism's Effect on the Raising of Production Effectiveness and Work Quality" recognize the need to increase the attention given to providing for a qualitatively new level of planning to improve balance in the economy. The development of balanced plan targets is one of the central tasks of economic science at the present stage, and it is a very important reserve for the raising of effectiveness in social production. It is completely natural that with the growth in the scale of production, the emergence of new sectors and the appearance of new social needs there are increasing demands for the balanced coordination of all sections and indicators of the economic plan--each version of the plan must be subjected to a comprehensive check for balance in the natural-material and cost proportions. It is possible to take these demands into account only



if the planned material requirements are backed up with the necessary financial resources.

A substantial number of studies have been devoted to questions of how to achieve balance in an economic plan; however, a majority of these studies are global in nature, i.e., they encompass indicators for the dynamics and structure of the entire USSR economy. Moreover, balance in the economic plan must be maintained not only on a national scale, but also at the level of the union republics and the economic rayons, as well as with regard to various sectors and areas. In the ideal case an economic plan should reflect an interrelated and strictly balanced system of vertical (sector) and horizontal (territorial) links.

Traditionally our country has developed the sector links in management and planning with significantly more energy. Historically, the shortages which occurred in the first stages of the Soviet economy's development--shortages in the most important raw and secondary materials and fuel--resulted in the material and physical proportions of socialist reproduction becoming the main basis of planning. And even now this aspect in the development of a plan receives top-priority attention. The production of output and its distribution in physical terms are planned in a comprehensive manner. This finds reflection in the system of plan indicators for output production expressed in physical terms; the plan is worked out on the basis of a full range of enterprises located within the territory of the republics. The system of material balances has received significant development throughout the USSR as a whole. However, the cost aspect of planning the reproduction process has not received such broad development. Moreover, both aspects of planning (the cost and natural-material aspects) express two sides of the same process of reproduction and must be worked out at the same time and in a coordinated manner.

It should be added that the increased role of structural processes in the economy requires further improvements in planning the structure of social production; intersector balances, which contain very valuable information concerning intersector links and sectorial proportions, constitute the most approved instrument for studying this structure. However, the level of balancing work and the existing system of indicators for the economic development plan in a union republic, as well as the procedure for compiling it, do not yet allow us to achieve complete balance in terms of the plan's natural-material and financial-cost composition. The latter results to a significant degree from the inadequate methodological and practical elaboration of the financial aspect of total planning from a territorial perspective. For example, the balance of financial

resources, which is designed to ensure coordination of material and financial resources, is compiled in the union republics in terms of the economy which is subordinate to the Council of Ministers of a given republic. In the RSFSR, however, where the proportion of the economy which is subordinate to the Council of Ministers is much less than in other republics, a majority of the financial resources in general are not the object of planning.

The practice which the republic has developed of planning national income also has a number of features which amount to the fact that basic elements are lacking in the plan indicators--elements such as those for profits and wages in the material production sectors--for an entire range of enterprises located within the republic.

The inadequacies of the republic financial resource balances are counteracted by the intersector balance (ISB), in which profits are presented in a detailed differential form for the material production sectors (Quadrant III) and the nonproduction sphere (Quadrant IV). In this way the ISB makes it possible to analyze the sources of net product formation in the national economy, as well as its distribution.

Unfortunately, there is not yet any methodological unity or all-around coordination in the formation of individual consolidated indicators for various types of balances: for an intersector balance, a balance of an economy or a financial balance, and this makes it difficult to utilize them in plan calculations at the level of the economy, and especially in the planning of territorial proportions.

The lack of methodological coordination in the indicators for various consolidated balances, as well as the incomplete nature of the information supply for these balances, hinder the utilization of effective economic-mathematical methods in planning as well as the introduction of automated systems for financial and plan calculations.

Everything said above applies to the balances at the level of the union republics. But regular balance work is not carried out in the economic rayons. The organs of the Central Statistical Administration compile at the oblast level individual balances, for example, balances of population income and expenditures, labor resources, etc. Certain economic institutes of the USSR Academy of Sciences compile intersector balances for the major regions (Siberia and the Far East, the Urals); however, this work is not carried out in an organized or regular manner. Moreover, certain of the country's rayons are actually powerful regional systems in the national division of labor, and they exceed in terms of their economic potential certain countries of Western Europe. The problems of balancing the development of their

economies and of coordinating them with the unified national economic complex of the country is extremely important at the present stage of our economy's development. For this reason, the time has come, in our view, for the country to increase sharply the level of balance work, extending it to all the union republics and the country's largest economic rayons.

It goes without saying that each balance must have its own, strictly determined tasks and functions within the total system of general economic balances. However, the formational dynamics and structure of such generalizing economic development indicators as national income, which are determined by the rate of growth and the level of effectiveness in social production, must be planned within the framework of a close interrelationship and interdependence, which is possible only after their comparability is ensured.

① The TsEMI (Economics and Mathematics Institute) of the USSR Academy of Sciences, the NIEI (Scientific Research Economics Institute) of USSR Gosplan and the TsENII (Central Economics Scientific-Research Institute) have developed the practice of joining with the planning organs and the USSR Central Statistical Administration to analyze the intersector proportions on the basis of intersector balances for a given period, to issue recommendations on balance coordination for the development of sectors and complexes, to ensure appropriate proportions in the development of the economy, as well as to decide other issues important in planning. Recently there has also been some definite success in the utilization of ISB's for prognostic calculations based on a dynamic intersector model. The results of work done by the TsENII of RSFSR Gosplan in the compilation and analysis of the cost intersector balance for 1966, 1972, 1977 and 1980 make it possible to draw a number of conclusions concerning changes in reproduction proportions and structural shifts in the republic during the last 10-15 years.

An analysis of the intersector balances for these years, which were constructed on the basis of a large number of sectors, shows that gross industrial output grew at an accelerated rate in comparison with other sectors of the national economy, with the result that it showed a significant increase in its share of the total social product. The sectorial structure of industry has also changed: machine building and metal working increased their share, while light industry and the food industry reduced theirs.

At the same time we should take note of the steady trend toward a reduction in agricultural output's percentage of the total; this is explained in part by the unfavorable influence of weather conditions. A definite influence on the reduction in the agricultural production was the fact that over an extended period of time agriculture received less than its fair share of

investment, especially for the development of the infrastructure (roads, storage facilities, residential construction, social-cultural facilities, etc.). Agriculture received a smaller amount of modern equipment than other sectors. The elimination of this gap has been specified in the Food Program adopted by the CPSU Central Committee and the USSR Council of Ministers.

An analysis of the dynamics and structure of the total social product in the last two decades shows a progressively growing share for the output of subdivision I; this meets one of the main requirements of socialist reproduction--the rapid growth of production of the means of production as the basis for the development of all sectors [2, p 22]. But this process is not infinite. The excessive and extended lag in subdivision II output does not ensure the material-physical basis for the realization of the national income consumption fund, and with the system of price formation which has developed in our country, it reduces opportunities for the formation of accumulation sources.

The main factor influencing the accelerated rate of growth in the production of subdivision I output is the long-range strategic policy aimed at creating and strengthening the material-technical base of the economy and its leading units: machine building, the fuel-energy complex and the chemical industry. At the same time the reform of wholesale prices, which was carried out in 1967, and the price increase of the early 70's for machine-building output which extended mainly to the output of subdivision I, increase the value assessment of the means of production.

During this same period there was a significant reduction in the proportion of agricultural output (within the total volume of this sector's output) which goes for direct consumption without any industrial processing. There was a relative decline, too, in the expenditure of agricultural output for people's own needs (seeds, fodder). Fodder of industrial origin (mixed fodder, oil cake, groats, distillery grains, fodder yeasts, etc.) is playing a larger and larger role in the fodder balance. In general, however, the trend toward a reduction of agriculture's share of the social product is natural; it reflects the process of the further strengthening of the country's industrial development.

There has been a substantial change in the sector structure of the basic subdivisions of social production. In subdivision I the output of the sectors which determine technical progress--machine building and chemistry--have increased their share. In machine building such sectors as instrument making and radio electronics have developed at the fastest rate.

In the total volume of production coming from the consumer goods industry there has been an increase in the proportion of consumer items produced by heavy industry, and especially by machine

building, and this is related mainly to growth in the production of goods which are used for an extended period--passenger vehicles, radios, television sets, refrigerators, washing machines, etc.

Sector production links have evolved, and they determine the basic economic proportions. Production predetermines the volume of consumption and largely determines the sector structure. The structure of production and the level of labor productivity influence the size of the national income (in physical terms) produced within the economy, but the effective utilization of the fund for the accumulation of distributed national income serves as the basis for the expansion of the consumption fund. At the same time the structure of consumption, given conditions of unsatisfied demand, depends not only on prices and incomes, but also on the volume and structure of the subdivision II output which is being produced. Consequently, there should be a strict correspondence in terms of growth rate and value structure between the two subdivisions of social production.

In the period under consideration the dynamics of change in the value structure of the two subdivisions has changed in diametrically opposed directions. In subdivision I there has been substantial growth in the proportion of the intermediate product (material costs). Substantial changes have also been observed in the structure of the newly created value: wages make up a smaller share, and the share of surplus product has remained virtually stable [2, pp 23-25].

In subdivision II the proportion of material costs has been noticeably reduced, while the share of newly created value has increased. In this same subdivision, there was more progressive change in the structure of the newly created value. The share taken up by wages was reduced, and the proportion of surplus product grew.

But because subdivision I was developed at an accelerated rate, which is quite natural and legitimate, the total share of transfer value in the structure of the social product of the two subdivisions increased somewhat, with an equal reduction in the share of newly created value [2, pp 23-25].

The factors which influence an increase in the proportion of intermediate product in the national economy as a whole and in subdivision I are largely the same: they are the accelerated growth rate for sectors with a relatively high rate of material-intensiveness: power engineering, machine building, the chemical and petrochemical industry, construction, as well as growth in the socially necessary production costs for extracting raw materials and fuel, for obtaining energy, and for developing the eastern and northern regions. An important factor is the

substantially increased proportion of the means of production in agricultural output, which is caused by technical progress in this sector of the economy. The growth of procurement-purchase prices has also increased considerably the proportion of agricultural output in subdivision I. A significant increase in the proportion of material costs has taken place in construction as a result of a growth rate--which is higher than the sector-wide average--for the production of building materials, especially manufactured building units and parts.

As a result of 1) rapid growth in the amount of capital backing up labor (the capital-labor ratio), an increase in the norms for amortization deductions and 3) a faster rate of growth in fixed production capital in comparison with the growth rate for the social product, amortization is coming to take up an increasing share in the value structure of the social product, and this is also influences the growth of its material component.

In the process under analysis particular note should be taken of the growth of the extracting sectors of industry. In the 8th Five Year Plan the growth rate for the processing sectors in the RSFSR exceeded the rate for the mining-extracting sectors by 1.19-fold, but in the 9th Five-Year Plan this lead was reduced to 1.12-fold, and in the 10th Five-Year Plan it amounted to 1.10-fold. Although the extracting sectors come under the capital-intensive category, the growth in the volume and value of the raw materials and fuel which are brought into economic circulation raises the proportion of the material component in the value of the total social product.

When analyzing the value structure of the total social product of a republic like the RSFSR, consideration should be given to the fact that this republic is playing an increasingly significant role in supplying raw materials, fuel and energy to meet both the country's domestic needs and the needs of the countries in the socialist alliance, and this contributes to growth in the output of subdivision I of social production and correspondingly of the material costs in the value structure of the social product. This trend in the republic's economic development will continue in the future as well, i.e., the fuel-energy, metallurgical, petrochemical, pulp-and-paper and construction complexes will continue to develop at an accelerated rate, and this will inevitably increase the material-intensiveness of social production and reduce the proportion of net output in the total social product. Under these conditions it becomes exceptionally important to fulfill the 26th CPSU Congress decisions regarding extensive inter-coordination in the development of the extracting and processing industry and in the work of ensuring that industry has a higher growth rate for group "B" output in comparison with group "A" output [1].

The change in the wholesale prices in industry, and in particular the increase in wholesale prices for the means of production, is one of the factors which increases the proportion of material costs.

The effect of the 1967 wholesale price reforms on the change in net output's proportion of gross output was reflected differently in the various sectors of industry. For example, in the fuel industry the data of the intersector balance, calculated in current prices, show that during the period from 1966 through 1972 half of the growth in net output's proportion of gross output took place as a result of the price factor.

The factors which result in a relative increase in the cost of output, especially output from the heavy industry and hydroenergy sectors, include at the present time significant changes in the distribution of production forces--the further development of new production units and the construction of transportation arteries in Siberia, the remote regions (with difficult access) of the North and Far East. Regional shifts have required the development of fuel-energy complexes, the establishment of a production and non-production infrastructure in the newly opened up regions, and especially the development of ground transportation, communication and power transmission lines.

The following exert a substantial influence: the worsening of conditions for the extraction of minerals, a reduction in the usable content of the raw materials which are extracted and the resulting need to increase capital investment to maintain the level of production achieved in the fuel and raw material sectors. There are also essential expenditures aimed at the establishment of fixed capital intended to protect the environment. It should be noted that the effect of the factors listed above is objective and long term in nature.

The cost of raw and secondary materials, fuel and other objects of labor constitute approximately nine-tenths of material expenditures and amortization accounts for approximately one-tenth. However, amortization's share is growing rapidly, and this exerts a substantial influence on the general level of material-intensiveness. Amortization has grown with particular strength in the machine-building, chemical, electric power, agricultural and transportation sectors.

The increase in the proportion which amortization deductions constitute in the total volume of material expenditures is a steady, long-term trend. This is explained, first of all, by the

rapid rate of growth in fixed production capital in comparison with the growth rate of the gross social product\* and, in the second place, by the regular re-evaluation of fixed production capital, which, as a rule, significantly increases their value, and, in the third place, by the increase in the norms for amortization deductions which results from the need to speed up the modernization of equipment.

In a number of cases, the changes in the organizational structure of production, which take place under the influence of scientific-technical progress, lead to growth in material expenditures.

When evaluating the effect of scientific-technical progress on the structure and volume of material expenditures, consideration should be given to growth in the share of intra-sector turnover (multiple accounting) related to the intensification of specialization and the development of cooperation in industry.

Further development in the social division of labor and in the forms of social production organization leads to the strengthening of multiple accounting, because there is an increase in the number of production stages through which raw materials must pass before the same end product is obtained. As a result, the total production volume grows with the plant method of accounting. Moreover, the volume of material expenditures grows more rapidly than the volume of gross output, and, consequently, the material-intensiveness of production increases.

As a result of the objective and long-term trend toward growth in the material-intensiveness of production, all forms of material resource savings are becoming exceptionally important at the present time. The 26th CPSU Congress decisions are aimed at this.

Savings of material resources must be stipulated even at the stage of planning-design work, when new equipment and technology are being created, because the effective development of the economy in the future depends largely on the extent to which resource-saving production technology is applied, especially in the material-intensive and fuel-intensive sectors (metallurgy, chemistry, machine-building, construction, light industry and the food industry). Resource savings must be specified in the plan norms for the expenditure of materials, and they must be taken into account in the system of indicators for economic

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\* In the period 1970-1980 the volume of fixed production capital in comparable prices increased 2.2-fold and the gross social product increased 1.7-fold.



effectiveness (normative-net output), and they must be reflected in the new forms of material incentives for labor.

The effect of the structural shifts and the price factors has also led to various trends in the change in the proportion of surplus product in the social product and national income. From 1966 through 1972, for example, it was observed that there was a trend toward a reduction in the proportion of surplus product in the value of total social product; after 1972, some increase in this proportion began to be observed. Further, growth in the surplus product in certain sectors was counteracted by a decline in this product in others. The largest increase in the proportion of surplus product took place in the metallurgical, building materials and forestry industries. In electric power engineering, light industry and the food industry, the proportion of surplus product declined.

The basic directions in the economic and social development of the USSR in the 80's have been stipulated as part of a broad program for improving the people's welfare; the implementation of this program will determine the growth in the volume of consumer goods produced in the country and the improvement of their quality, and this should lead to an increase in the norm for surplus product in the national economy (as a result of accelerated development of Group "B" industry).

① The determination of the size and dynamics of profitability in the economy and its sectors has great significance for the establishment of scientifically grounded, optimal proportions in the plan for the economy.

According to data from the intersector balance, compiled in the current prices of each year, one can observe growth in the profitability of the economy during the years 1966-1972, and a sharp decline in profitability in subsequent years, which can be explained by a number of factors, which did not operate in the same way in all sectors.

For example, in ferrous metallurgy the influence of new objective factors results in increasingly complex production technology and an increase in the production of high-quality output. At the same time a process of accumulating old, low-productivity equipment is taking place, and this brings with it an increase in material expenditures, including amortization. As a result, the sector profitability of ferrous metallurgy has in recent years failed to ensure normal conditions for the self-financing activities of many enterprises.

In contrast, the average level of profitability in machine building enterprises has grown steadily, and for machine building in general it has exceeded the accepted standard. This is

explained by characteristic features of price formation for new machine building products, and by the establishment of favorable norms of profitability for new equipment in a number of sectors. Such sectors of machine building as machine tool manufacturing and instrument making also show profitability higher than the established level. The profitability of already assimilated machinery and equipment which has been produced for many years has grown at a particularly rapid rate, and this has created objective obstacles to the production and introduction of fundamentally new equipment to the consumer.

It should be pointed out that the high profitability of machine building leads to a reduction in the profitability level of sectors which use the output of machine building. At the same time the process by which growth in the cost of machinery overtakes its technical parameters leads as well to undesirable consequences, to the appearance of a mistrustful attitude toward new equipment, the first batches of which, moreover, frequently come off the assembly line in an inadequately developed state and which is gradually debugged during the process of mass production.

In the structure of the fuel complex, a shift has taken place in favor of the petroleum and gas sectors. It would seem that this should have a favorable influence on the production cost and profitability indicators throughout the sectors of the fuel-energy complex. However, in the 70's there was an increase in expenditures in the petroleum and gas industries, which was related primarily to factors of an objective nature, i.e., to the gradual exhaustion of the natural reserves of the usable, already well-worked deposits in Tataria and Bashkiria, and in the Kuybyshev and Saratov Oblasts, and to the resulting relocation of extracting work to the less-explored and hard-to-reach rayons of Siberia and the Extreme North.

① Because the figure for profitability [rentabel'nost] is calculated as the ratio of profits to the cost of fixed and working capital, changes in these two indicators influence it identically. The re-evaluation of fixed capital has led to a situation in the sectors of the extracting complex, in power engineering, in metallurgy and the chemical industry--which are among the most labor-intensive sectors--in which an increase has taken place in the cost of fixed capital. This has influenced first the profitability of these sectors and subsequently the overall profitability of the economy, despite the increase in wholesale prices which was carried out. The long-term influence of the fixed-capital re-evaluation, which increased its cost, in addition to the constantly operating factors of worsening mining-geological conditions for the working of deposits, proved in general to be stronger than the short-term influence of the increase in prices for mineral raw materials and fuel.

A reduction of unprofitability in industry was one of the tasks of the 1967 re-examination of wholesale prices. In the first years after the introduction of the new wholesale prices the number of plan enterprises operating at a loss in industry was reduced to less than half the previous number. For this reason the 1967 reform of wholesale prices played a positive role in ensuring the profitability of operations in all sectors of industry. However, beginning in 1973-1974 (and even earlier in some sectors) profitability began to decline for the above-indicated reasons. As a result, production costs increased, the capital-output ratio declined, and the cost of fixed capital grew significantly, etc.

In order to improve the proportions in the economy and to ensure that there is greater balance among them, a system of new wholesale prices was introduced in 1982. The objective basis for need to carry out a new re-examination of wholesale prices was provided by the substantial changes which had taken place in the national economy: structural and territorial shifts; technical progress; changes in production costs, the structure of prices, effectiveness indicators, etc.

The aim of the new reform is to bring the wholesale prices for output closer to the socially necessary expenditures for its production, and to increase the incentive role of price in the acceleration of scientific and technical progress, in the rapid modernization and improvement of output quality, and in the fullest possible utilization of raw and secondary material resources. The entire system of new wholesale prices and tariffs was constructed in such a way as to have the most effective possible influence on the production activities of all sectors of the national economy in the direction of reducing production costs and increasing profits (pribyl) and profitability (rentabelnost).

It is well known that the basic difficulties which are encountered when improving the price system include providing substantiation for changes in price levels, taking into account the consequences of the re-evaluation, and balancing the economy's proportions with the new prices in effect. The intersector balance department of RSFSR Gosplan's TsENII has made an attempt at experimentally recalculating the consolidated intersector balance of the RSFSR into the new, 1982 prices.

The calculations have made it possible to conclude that in terms of the degree and direction of the effect on the basic indicators and proportions in the development of the republic's economy, the 1982 wholesale price reform does not have any sharp distinguishing features in comparison with the 1967 wholesale price reform.

There will not be any major changes in the sector structure of the total social product and national income as a result of the wholesale price reform, and this can be considered a positive factor because in the opposite case substantial corrections in the rate and proportions in the development of a number of sectors, which have already been determined by the plan for the five-year period, would be required. However, more significant shifts in the structure of utilized national income are projected. It is possible that an increase in the cost of heavy-industry output, especially the output of the extracting sectors, along with an insignificant increase in output costs for light industry sectors, will lead to a certain increase in the share of the accumulation fund and correspondingly to a reduction in the share of the consumption fund. This will improve opportunities for financing expanded reproduction, especially as the inadequately satisfied demand in a number of regions means that a sharp increase in the cost volume of the consumption fund is for now undesirable because it would lead to the accumulation of unrealized money by the public. An increase in the consumption fund's share of the utilizable national income must precede the more rapid development of Group "B" industry, and of the entire agro-industrial complex with the aim of achieving the Food Program, and for this it is essential to expand the sources for financing the agro-industrial complex from the accumulation fund.

The end result of any re-examination of prices is an improvement in the economic activities of enterprises, sectors, ministries and of the entire national economy; this improvement finds expression in the raising of financial indicators. Surplus product is a generalizing financial indicator which concentrates and synthesizes all the price changes. Calculations show that the re-examination of wholesale prices and tariffs will result in an increase in the absolute size of the surplus product.

Shifting the economy to an intensive path of development requires qualitative changes in the management and planning of the economy. This presumes, on the one hand, fuller utilization of the already existing balances, and, on the other hand, a more careful development of them, i.e., development which would provide for two-way coordination, balance and reciprocal monitoring of all indicators and sections of the plan. In long-range planning the application of comparable prices has advantages as well as disadvantages. Under the present conditions of rapid change in equipment and production technology, the price factor exerts only a temporary influence on the cost of output, while the growth in labor productivity, the saving of production resources, the modernization of product range and changes in the technical specifications of output, as well as in the technical-economic conditions of production, etc. are becoming factors which have a constant effect.

It should be recalled that the 1967 wholesale price changes and the partial 1973 changes increased the profitability of the raw materials and fuel sectors for only 5-6 years; they led to an accelerated growth rate for newly created value in the total social product, and, moreover, these positive shifts were influenced not so much by the cost factor as by the objective conditions of production in given sectors, that is, by the start on new deposits of petroleum and gas in the Volga area and Bashkiria, and by the resulting increase in the proportion of cheaper fuel in the fuel balance, by open pit mining of iron ores in the Kursk Magnetic Anomaly, by an increase in the open pit mining of lignite in a number of basins and by the use of other effective sources of raw materials and fuel. By the late 60's and early 70's there was an increase in the capital-output ratio which resulted when a period in which many major enterprises had been put into operation came to an end, and it is clear that this circumstance was of considerable significance.

However, in the mid 70's production conditions changed. In the mining of coal and the production of gas, the proportion of the more capital-intensive Siberian deposits began to grow, and the conditions for the working of coal and iron-ore deposits became much more difficult; in the usable timber balance, Siberian lumber, transported over great distances, played a growing role; the utilization of production capacities declined with the increased shortage of personnel, and the country's transportation network began to strain under ever increasing loads, etc. In a number of sectors this resulted in a continued reduction in the capital-output ratio as well as a reduction in the rate at which material-intensiveness was declining. The proportion of transfer value (intermediate product) in the total social product grew, while the proportion of net output showed a relative decline; further, growth in the latter is provided in larger measure by subdivision II, and its proportion in social production has been declining steadily.

The 11th Five-Year Plan calls for the implementation of significant progressive shifts in the national economy. The rate of growth for subdivision II of the social product will be increased through the accelerated development of sectors of the agro-industrial complex and of Group "B" industries in general, the processes of equipment modernization will be speeded up because a large portion of investment will be aimed at the technical re-equipment and the modernization of existing enterprises; and in comparison with the increase in investment volume, the national income will grow at an accelerated rate.

The accelerated implementation of scientific and technical progress in the sectors which provide the national economy with processed raw materials is becoming a key aspect of long-range

economic strategy; the purpose is to slow down and as much as possible to neutralize the cost-increasing influence of the growing process by which ever more expensive raw materials and fuel resources are being brought into economic circulation, and it is to achieve more output from every unit of initial raw material and in this way to reduce the economy's demand for natural raw materials and fuels, which are costing society more every year.

Of course, this economic strategy must be combined with the strictest savings of raw materials and fuel in the national economy, as well as with improvements in the utilization of all production resources, and these savings and improvements have been the subject of decisions by the 26th CPSU Congress and decrees by the party and government on economic questions.

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## REGIONAL DEVELOPMENT

### DEVELOPMENT, FINANCES OF UKRAINIAN SSR VIEWED

#### Overall Development

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 4, Apr 83 pp 13-21

[Article by V. Popovkin, sector chief of the Scientific Research Economics Institute of UkSSR Gosplan, doctor of geographic sciences, Kiev: "Certain Aspects of the Development of Social Production in UkSSR"]

[Text] The tasks of the development and location of the productive forces of the union republics have always been an organic part of the economic policy of the Communist Party of the Soviet Union. In the session of the CPSU Central Committee, USSR Supreme Soviet and RSFSR Supreme Soviet held to celebrate the 60th Anniversary of the Union of Soviet Socialist Republics, CPSU Central Committee General Secretary Yu. V. Andropov remarked that the present-day productive forces require a close and skillful joining of efforts by the various regions and republics. "The most reasonable use of the natural and labor resources and climatic peculiarities of every republic and the most optimum inclusion of that potential in the all-union potential--that is what will bring the greatest benefit to every region, to every nationality and ethnic minority, just as it will to the entire state."<sup>1</sup>

The Master Chart for Location of the Productive Forces of the USSR is to become the scientific basis for regional policy in the foreseeable future. When the strategies of development and location of the productive forces of the union republic are being determined, the point of departure should be the priority socioeconomic tasks facing the country as a whole, and the main directions for improvement of the nationwide regional division of labor must be fully taken into account. As we know, one of the main directions for future development of the nationwide regional division of labor is to turn the eastern regions of the country into the principal fuel, energy and raw materials base. At the same time emphasis in the European part of the country and in the Urals is being placed on better use of the production potential which is in place, on reconstruction and retooling of existing enterprises without increasing the size of the work force. Development of energy- and water-intensive production operations is being restricted.

Along with the basic directions for improvement of the nationwide division of labor, the following favorable conditions and factors need to be taken into



account in prospective regional economic planning of UkSSR: UkSSR's advantageous economic-geographic position, including its location with respect to the CEMA member countries and the largest industrial centers of the European part of the USSR and also its proximity to the Black Sea; concentration in the areas of the Donbass and Dnieper Valley of well-developed reserves of bituminous or better coal, iron and manganese ores, refractory raw materials, salts and other resources whose mining has guaranteed here effective functioning of a large-scale fuel and metallurgical complex and of a base of advanced metal-intensive machinebuilding, the heavy chemical industry and a number of other sectors; sizable resources of mineral chemical raw materials in the Predkarpatskiy Progb and in the Sivash (Southwest and Southern Economic Regions); and the adequate supply of raw materials for the production of building materials which almost all the republic's oblasts have; a mighty production potential in terms of plant and equipment and skilled personnel indispensable to performing the tasks of future improvement of the economic structure and location of the productive forces in the republic; the existence of highly productive land resources (plowland especially) and the favorable soil and climatic conditions ensuring stability of agricultural production.

Certain changes have recently taken place in the republic's economic structure.

UkSSR's relative share in the nationwide production of coal, gas, electric power, and a number of fuel-, energy- and water-intensive products exceeds the republic's share in the reserves of the respective resources. In addition, the Ukraine as a rule falls short of the country's other regions in the indicators of economic efficiency of bringing those resources into circulation in the national economy. For instance, the production cost of mining 1 ton of coal at the Nazaryevskiy Open-Pit Mine (Kansk-Achinsk fuel and energy complex) is one-twelfth what it is in the Donbass, and labor productivity is correspondingly 14-fold higher. The average specific cost of generating 1,000 kwh of electric power is 6 rubles in Eastern Siberia, whereas in the Ukraine it is 11 rubles. The relative share of capital-intensive sectors (iron mining, ferrous and nonferrous metallurgy, electric power, coal, gas, chemical mining, heavy chemicals, heavy machinebuilding, etc.) is higher in the republic than in the country as a whole, and there is a deficiency of a number of manufacturing sectors (above all machinebuilding and light industry).

A strain has built up in the republic's fuel and energy balance. The share of the Ukraine (together with Moldavia) in the USSR's potential reserves of energy resources is estimated at only 1 percent, as against 12.8 percent of the reserves in Western Siberia, 47 percent in Eastern Siberia, and 28.3 percent in the Far East. What is more, the mining-geological conditions for mining the most important types of mineral fuels have deteriorated in UkSSR, the capabilities of the raw materials base are diminishing, and the production costs per unit of fuel resources are rising. These are the objective reasons that largely explain the appreciable slowing down of growth rates or even absolute reduction of the volume of production of the output of the fuel industry. For example, the output of the coal industry (including the

production of briquettes and coal enrichment) increased only 7 percent between 1970 and 1980.

The volume of output of the gas industry dropped 1 percent in the years of the 9th and 10th Five-Year Plans, and the output of the petroleum industry more than one-third. Indicators deteriorated especially in the years of the 10th Five-Year Plan. The faster growth of the petroleum refining subbranch (almost threefold between 1971 and 1980) occurred mainly because of raw materials brought in from outside. But this subbranch is unable to exert a substantial influence on the fuel and energy balance, since its output is being used more and more as a raw material for the development of the petrochemical industry. However, the output of such fuel- and energy-intensive branches of industry as ferrous metallurgy, the building materials industry, the glass, porcelain and earthenware industry, the chemical and petrochemical industry, and the pulp and paper industry has grown faster than the output of the fuel industry: their growth over the 1971-1980 period was 127, 146, 210, 224 and 156 percent, respectively.<sup>2</sup>

As for the hydropower resources of UkSSR, upon completion of construction of the series of hydropower stations on the Dnieper and construction of the Dnestrovskoye hydrocomplex, the republic's hydropotential has for all practical purposes been developed. UkSSR is among the regions of the country with a water shortage. The per capita supply of water resources in the republic is one-seventeenth what it is in the country as a whole. With respect to this indicator the Ukraine falls short of all the union republics except Moldavia, Turkmenia and Uzbekistan.<sup>3</sup> The shortage of water is felt mainly in the Donbass, the Krivoy Rog area, the Crimea, and Kharkov Oblast, where very important water consumers are located (metallurgical and chemical enterprises, irrigation agriculture, the health resort industry, and very large urbanized areas). According to the data of UkSSR Gosplan, water-intensive production operations cannot be located in approximately 200 cities and settlements of the urban type in the republic. Calculated freshwater consumption (in cubic meters) to supply industrial enterprises in the water-deficient Donetsk-Dnieper and Southern Economic Regions, according to figures of the Council for Study of the Productive Forces of USSR Gosplan, exceed the corresponding consumption in the West Siberian, East Siberian and Northwest regions 3-6-fold.

At the same time the Donetsk-Dnieper region has insufficient capacity of enterprises of the dairy industry, and in the Southern there is an insufficiency of capacity for processing grapes and fruit. Location of the manufacturing capacities of the sugar industry is slow to improve; according to figures of the Scientific Research Economics Institute of UkSSR Gosplan, 20 percent of the sugar beet crop is more than 50 km from the mills (including more than 70 percent in Dnepropetrovsk Oblast and 40 percent in Nikolayev Oblast). Because the vegetable crop is not highly concentrated, raw materials not uncommonly have to be shipped 150-200 km to the enterprises of the canning industry. Shortcomings in the location of enterprises in the building materials industry have the result that 6-8 percent of their output is always in transit or at transshipment points and not participating in capital construction.<sup>4</sup>

At the same time the growth rates of labor productivity are inadequate in the industry of a number of oblasts experiencing a shortage of labor resources. For example, in Donetsk, Voroshilovgrad, Crimean and Vinnitsa Oblasts the rise of labor productivity in the 10th Five-Year Plan was appreciably lower than the average for the republic and ranged from 2 to 6 percent.<sup>5</sup>

The definition of strategies for multiannual planning in the republic should be guided by the principles derived from the decisions of the 24th, 25th and 26th CPSU Congresses and subsequent plenums of the CPSU Central Committee. They consisted, first, of a steady rise in production efficiency, intensification of production, and activation of qualitative factors in sectors determining the long-range sectoral orientation of the Ukraine in the nationwide division of labor (ferrous metallurgy, heavy chemicals, heavy machinebuilding, coal and food industries, and agriculture), and second, in a reasonable limitation of the development of water-, energy- and fuel-intensive sectors, whose efficiency indicators are lower than the nationwide average. The growth rates and internal structure of these sectors must be planned so as to take into account nationwide needs and the objective factors favoring their development in UkSSR. At the same time attention should also be paid to features restraining development of the sectors enumerated above. For instance, the nationwide needs for metal products and the need to carry out structural changes in the sector must be taken into account in the development of ferrous metallurgy, which is a very large consumer of fuel, energy and water resources. The 11th Five-Year Plan, during which the output of rolled products from low-alloy steels in UkSSR will increase 1.8-fold and from heat-resistant steel 2.1-fold, while the increase in the output of rolled products of ferrous metals will be 18.7 percent, should become an important step forward in this direction. In addition, plans call for organizing the production of about 100 new hot-rolled and cold-bent shapes and for expanding the output of heat-treated rolled products, rolled products with protective coatings, and also specialized types of pipe. New construction in ferrous metallurgy will be minimal and related mainly to the need to balance production capacities within the individual phases of the metallurgical cycle. The principal tasks facing the branch must be performed by reequipping existing enterprises.

Measures are to be taken in the 11th Five-Year Plan to correct the adverse things which have been observed in recent years in the coal industry of the Ukraine. The task of increasing the mining of coal, set by the 26th CPSU Congress, must be performed mainly by expanding the scale of reconstruction and retooling of underground mines. All of this necessitates efficient use of capital investments, which are being committed in the total amount of 6 billion rubles to this important branch of the republic's specialization in the nationwide regional division of labor.

As we know, under present conditions plans are to solve the fuel and energy problem not only by expanding the production of the various fuels and energy, but also through their comprehensive conservation as well as through qualitative structural shifts. The Ukraine must make a sizable contribution to the effort to enforce the regime for conservation of the country's fuel and energy resources. Over the period 1981-1985 plans call for the republic to conserve 27 million tons of standard fuel, or 1.8-fold more than in the 10th

Five-Year Plan. An important means of achieving this saving will be to improve the production structure of electric power and thermal energy, to increase the share of the nuclear power industry in particular. The latter is developing above all in those economic regions (Southwest and Southern) where the resources of traditional sources of energy are extremely limited. Calculations show that the growth of production of electric power at nuclear power plants in the republic will make it possible to reduce the total need for organic fuel in the years of the 11th Five-Year Plan by 60 million tons.

Thus the republic's need for energy resources must be satisfied by virtue of the following: stabilization of coal mining; growth of nuclear power; planned regulation of the development of the fuel- and energy-intensive sectors and production operations, accomplishment of relevant structural shifts in the economy; full-fledged conservation of fuel and energy resources; introduction of heat- and energy-saving technologies, and so on.

Intensification remains the main direction in development of the agricultural sector of UkSSR's economy. For many years now the republic's crop area has not been expanding. In the 11th Five-Year Plan the entire growth of production of agricultural output must be achieved through more efficient use of material and technical resources.

As in the country as a whole, particular attention is being paid here to increasing the output of livestock raising through a comprehensive strengthening of the livestock feed base. The average annual production of livestock feed on a republic's kolkhozes and sovkhoses in the 1981-1985 period will increase 22 percent by comparison with production in the 10th Five-Year Plan. There will be an increase in the total volume of mixed feed manufacture. Efficiency of use of feed grain will increase as soybean production grows. Greater attention is to be paid to pea and bean crops, perennial grasses, and the production of protein additives and amino acids in order to solve the problem of feed protein. The assignments outlined by the USSR Food Program for the Period up to the Year 1990 concerning higher yields of farm crops and higher productivity of livestock are closely bound up with deliveries of equipment and chemicals, with introduction of advanced soil and crop practices and agricultural chemistry, with construction of irrigation and drainage facilities, with planning and organizational measures, and with the growing scale of social and cultural construction in rural areas.

Gradual formation of new sectors of nationwide specialization related to more thorough processing of the raw materials and intermediate products produced in the republic and efficient use of the available scientific and technical capability, skilled labor, and also the advantages of the economic-geographic position from among those sectors, mainly in industry, which are not capital-intensive, nor fuel-intensive, nor water-intensive, should become one of the most constructive principles operative in the location of social production in UkSSR. Motor vehicle manufacturing, instrumentmaking, the production of computer equipment, the electrical equipment industry, the bearings industry and the radio equipment industry should be put among those labor-intensive sectors.

Especially favorable conditions have taken shape in the Ukraine for speeding up development of machinebuilding and metal manufacturing. In the 11th Five-Year Plan, as in past years, a faster-than-average growth of output has been outlined for this sector. The growth rates will be higher for the production of equipment for power engineering (above all nuclear), the products of machinebuilding, instrumentmaking, and machines for livestock raising and feed production. Once again in this case the growth of capacities is to be achieved mainly through reconstruction and retooling of existing enterprises, through installation of new equipment and modernization of existing equipment, and by increasing the shift coefficient. The question naturally arises: How are the personnel needs of these branches of industry, which are mainly labor-intensive, to be met in view of the strain on the balance of labor resources?

An analysis conducted in scientific research institutions of the republic shows that there is a reserve of live labor that lies in its intensification, in the rise of productivity, in improvement of organization, in the strengthening of work discipline, and in a more decisive reduction of sphere of application of manual labor. In the 10th Five-Year Plan labor productivity in UkSSR industry increased only 12 percent; about 60 percent of the growth of industrial output was achieved thereby. Assignments for labor productivity in the 11th Five-Year Plan are not being entirely fulfilled.

Since the mechanization of auxiliary processes is at a low level (the share of manual labor in them is approximately 70 percent), a steady trend has been outlined for a faster growth of mechanization of the principal processes, while the relative share of the work force employed in auxiliary operations is increasing. Between 1965 and 1975 the share of that labor force in UkSSR industry rose 1.6 points, and at the present time it has exceeded 50 percent. In such branches of ferrous metallurgy and the petroleum refining industry there are almost two workers employed in auxiliary production for every worker employed in the principal production operation.<sup>6</sup> The republic's machinebuilding, then, faces crucial tasks related to reduction of expenditures of manual labor. In the 10th Five-Year Plan the work force employed at manual labor was reduced by 300,000 workers in the Ukraine. But given the strain on the balance of labor resources and the continuing high share of manual labor (whose share in the republic's industry dropped only 1.5 points in the 1976-1979 period), the scale of projects for full mechanization and automation of labor in the UkSSR economy must be expanded substantially. That is the objective of the program entitled "Labor"--one of the six comprehensive republic programs adopted to cover the period of the 11th Five-Year Plan.

Proceeding from the potential discovered for the saving of live labor and the measures planned to improve the use of labor resources in UkSSR, the growth rates of labor productivity are stepping up in the 11th Five-Year Plan. Whereas in the 10th Five-Year Plan productivity of social labor rose 16 percent, which afforded a labor saving of nearly 3 million workers per year, in the 1981-1985 period its growth is to be 19 percent, with a labor saving of 3.7 million workers.

In UkSSR light industry, assuming appropriate retooling and activation of a number of new projects in the 11th Five-Year Plan, plans call for a 17.4-percent growth in the production of consumer goods. Particular attention is being paid to manufacturing goods for which there is a high level of public demand; certain fabrics and clothing manufactured from them, knitted underwear and outerwear, articles in the children's assortment, etc. Construction and activation of new textile enterprises in the cities Dolina (Ivano-Frankovsk Oblast), Dubrovitsa (Rovno Oblast) and Starokonstantinov (Khmelnitskiy Oblast), the knitwear factory at Ordzhonokidze (Dnepropetrovsk Oblast), and so on, will have to improve the location of the productive forces on the republic's territory.

Planned formation in the republic of a base of production operations in the framework of international socialist integration should continue. UkSSR is participating actively in export deliveries of the USSR, but its largest role is in exporting raw materials and supplies: iron and manganese ores, coal, pig iron, electric power, gas and superphosphate. The republic's participation is considerably smaller in the export of machines, equipment and consumer goods. But all the prerequisites exist for building in UkSSR, above all in the Southwest Economic Region, enterprises for manufacturing the products of machinebuilding, light industry, the food industry, the woodworking industry, certain branches of the chemical industry, the glass, earthenware and porcelain industry, at the level of world standards; these products might be exported both to the CEMA countries and also to the capitalist countries of western Europe.

The international socialist division of labor is becoming a powerful additional impetus to economic development, above all in those regions of the USSR which border on the countries of the socialist camp. Activation of the first phase of the Novovolynsk Plant making specialized manufacturing equipment for the electrical equipment industry, which is developing at rapid rates, is an example of successful utilization of this favorable factor. Calculations indicate the high economic efficiency of concentrating the manufacture of this kind of equipment at that large enterprise, which is being erected by the joint efforts of the CEMA countries. Cooperation is being conducted successfully with the relevant CEMA countries in building the Ternopol Combine Plant and the Kalush "Khlorvinil" Association.

More intensive development of the Black Sea coast is an important factor in the republic's economic development. In view of the republic's geographic location and the good climatic conditions of this region, this problem is taking on very great importance not only for the republic, but indeed for the country as a whole. A comparison of the level of development, say, of the coast of the Mediterranean Sea in Spain, France, Italy, Yugoslavia, Greece and the coast of the Black Sea within UkSSR shows that development is manifestly inadequate in the latter case. Over a distance of several hundred kilometers there are only a few large industrial port and health resort centers: Odessa (including Ilichevsk), Nikolayev, Kherson, Sevastopol, Yalta and Kerch. There is reason to speak of building a health resort and tourist zone of all-union importance with certain major port and industrial centers located at the points best justified from the geographic and economic



standpoint which would specialize in the production of export goods and also the processing and finishing of imported goods. In particular, even in the 10th Five-Year Plan the plant in the port of Odessa was put into operation. In the 11th Five-Year Plan work is to continue on construction of the very large seaport "Yuzhnyy" (Southern) in the Adzhalyk estuary.

Intrarepublic regional planning is in need of further improvement. The republic's gosplan regularly makes a considerable effort to speed up development of the western and polesian oblasts in which a relatively low economic level has come about historically. Most indicative in this regard is the faster growth of capital investments in the economy of the Southwest Economic Region. Their volume from all sources of financing increased in the republic as a whole 63.7 percent between the 8th and 10th Five-Year Plans, 55.8 percent for the Donetsk-Dnieper Region, which is the most economically advanced, but 77.8 percent for the Southwest Region. Moreover, capital investments in 10 of the 13 oblasts in that region increased faster than in the republic as a whole. This has furnished a solid base for accelerated growth of national income and labor productivity of social labor in such oblasts as Ivano-Frankovsk, Khmelnytsky, Transcarpathian, Zhitomir, Ternopol, Chernovtsy, and so on.

The picture of accelerated economic growth of the less advanced oblasts over the last 20 years is especially impressive. For instance, whereas the total increase in the volume of industrial output for UkSSR as a whole was 3.9-fold, its output in all oblasts of the Southwest Economic Region (with the exception of Vinnitsa and Chernovtsy) increased over that period 4-6-fold or even more.<sup>7</sup>

Even though in the years of the 8th, 9th and 10th Five-Year Plans more than half of the new construction projects were located in small and medium-sized cities of the republic, some oblast centers are manufacturing 60-70 percent of the industrial output of their respective oblasts. It has become difficult to furnish these cities manpower, and their economy requires additional outlays, whereas in other settlements many possibilities are not being utilized to the extent they should be.

The basis for convergence of the levels of economic development of the regions and oblasts must now be maximum utilization of the advantages of the regional division of labor and of local resources for achieving accelerated growth of the oblasts which are economically underdeveloped and for reducing regional differences in the standard of living and the social infrastructure. We should note that the Southwest Economic Region accounts for 45 percent of the enterprises undergoing construction and expansion in the republic during the 11th Five-Year Plan.

Intraregional and intrasector regional distribution of capital investments must furnish the economic basis for restricting excessive concentration of production in the largest centers, combined with simultaneous invigoration of the small and medium-sized cities that possess the necessary set of conditions for urban construction. In the current 5-year period the construction of new projects and reconstruction or expansion of existing facilities are

planned in 183 out of the 360 small and medium-sized cities possessing conditions for industrial development. There are real possibilities for shaping optimum systems of population distribution in the future. It is a question of building and strengthening in practically all oblasts of the republic not so much new economic centers as industrial parks and subregions, agroindustrial complexes, transportation junctions, health resort and tourist zones, and so on.

Improvement of intrarepublic economic specialization of the oblasts is largely bound up with elimination of disproportions in the location of individual sectors on the one hand and of their raw-materials and fuel-and-energy bases and consumers of their products on the other. In this case it is preferable for the various oblasts to specialize in production in accordance with their specific regional conditions and factors. This, of course, does not mean that the line should be pursued of artificially restraining the development of particular sectors. They will simply develop by virtue of intensive factors without further expansion or with a limited growth of the production base.

An important condition for improving regional planning is to bring the level of development of the production and social infrastructure into conformity with the economic potential and with the state of the productive plant of the principal sectors representing specialization. In a number of the republic's oblasts, major industrial centers, junctions and agglomerations the growth rates of auxiliary sectors and branches in the service sphere calculated to satisfy the needs of the sectors representing specialization, as well as the population, are often lagging behind the growth rates of the leading sectors which are determining the production profile of the regions. To be specific, the level of specialization and concentration is insufficient (mainly because of a lack of departmental coordination) in production of products used throughout machinebuilding and throughout industry (castings, forgings, stampings, metal fastenings, metal fabrications), as well as repair work, and so on. Location of these production operations must be oriented toward satisfying the needs of all the nearby enterprises of machinebuilding regardless of departmental jurisdiction. There have also been examples of the opposite situation, when a particular sector possesses unused potential in the production and social infrastructure allowing for new industrial and other projects in the branches of physical production to be located there without sizable additional costs.

Not uncommonly the rates of development of the service sector are determined only by taking into account the needs of the permanent population. That is why the sometimes sizable pendular migration and streams of tourists cause an overstrain in the operation of enterprises in the trade sector, the food service industry, consumer services, municipal services and utilities, and so on. This applies above all to Kiev, Odessa, Dnepropetrovsk, Kharkov, the Crimean cities, etc.

The use of natural resources must be planned more straightforwardly so as to take into account the needs of the various sectors of the economy. For certain regions of UkSSR it is becoming especially important to make an economic

assessment and efficient use of the following natural resources above all: water (especially in the Donbass, the Southern Economic Region, the Kharkov agglomeration, and certain rayons of the Dnieper Valley); timber (in practically all oblasts of the republic, beginning with the regions of the Carpathians and Polesie and ending with the steppe regions, where the forests have great importance in water conservation and field protection); land (both in oblasts with a restricted area of plowland per able-bodied person in agriculture--Ivano-Frankovsk, Transcarpathian, Chernovtsy and Lvov, as well as in oblasts where intensive industrialization is taking valuable land away from agriculture, when at the same time the possibilities for recultivation of the land are growing--Donetsk, Voroshilovgrad and Dnepropetrovsk); and fish (especially in places where hydropower installations are built). The state is committing more than 1.8 billion rubles of capital investments to carrying out highly diverse measures related to environmental protection in the 11th Five-Year Plan in UkSSR (not including land reclamation), which is 500 million rubles more than in the 10th Five-Year Plan.

Improved location of the productive forces both at the level of the entire nation and also at the republic level necessitates ever better coordinated actions by central and local planning and economic authorities.

#### FOOTNOTES

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Republic Finance Minister

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[Article by V. P. Kozeluk, UkSSR minister of finance: "Working Better, With Greater Results"]

[Text] The workers of UkSSR, as indeed all the Soviet people, have joined in the nationwide socialist competition and are implementing the decisions of the 26th CPSU Congress and subsequent plenums of the party's Central Committee. In 1982 the volume of industrial output in the republic rose 2.7 percent, the output of products in the superior-quality category 6.8 percent. The production of certain foodstuffs is increasing. On this basis the UkSSR State Budget is being executed successfully, and the prosperity of the people is rising.

The plan for activation of payments into the budget for UkSSR has been fulfilled at 101.8 percent, the republic's budget was fulfilled at 101.4 percent of the adjusted plan for revenues and at 99.9 percent for expenditures. Anticipated revenues were collected for the budgets of all the oblasts, cities, rayons and village and settlement soviets. This did involve considerable difficulties caused by serious shortcomings in the activity of a number of sectors of the economy. UkSSR Minchermet [Ministry of Ferrous Metallurgy], at many of whose enterprises too little attention is still being paid to the intensification of production, has been subjected to harsh criticism. For the ministry as a whole the profit plan was underfulfilled last year by 654 million rubles and the shortfall of payments into the republic's budget from profit was 284 million rubles. Nor were profit plans fulfilled by enterprises and organizations of UkSSR Minplodoovoshchkhov [Ministry of Fruit and Vegetable Industry], which was short 210 million rubles, and UkSSR Minsovkhozov [Ministry of Sovkhozes], which was short 187 million, and construction ministries, which were short 88 million rubles.

Vigorous measures have been taken toward an additional output of consumer goods, toward improvement of their quality, to invigorate other internal economic potential, which has made it possible to collect revenues over and above the plan from the turnover tax and various nontax revenues, to cover undercollections of payments from profit into the budget and to finance on schedule all the measures envisaged by the plan and by the budget.

Nonfulfillment of the profit plan and above-plan losses, nonperformance of assignments to mobilize internal potential in construction have resulted in the formation of a shortage of own working capital in the economy and sizable amounts of overdue accounts payable in capital construction, and enterprises, organizations and construction projects have had financial difficulties in making settlement with suppliers, banks and the budget.

Taking this into account UkSSR Minfin [Ministry of Finance] and financial authorities, jointly with planning and economic authorities and bank institutions have conducted a thorough economic analysis of the activity of the republic ministries, departments, associations, enterprises and construction

projects over the past year, have sought out their unused potential and possibilities for increasing production and for mobilizing other financial resources of their own, so that with that potential and bank credit they can in the very near future cover the shortage of own working capital and extinguish the delinquent indebtedness in construction. Large-scale checks are also being made on the correctness and economic soundness of the targets of financial plans which ministries and departments, administrations and departments of executive committees of local soviets have broken down to their subordinate enterprises and organizations and of estimates which they have broken down to budget-financed institutions for 1983. The attention of the staff of financial agencies is concentrated on the need to perform this work better than in previous years. The checks are mainly aimed at speedy correction of shortcomings in the planning of profit, payments to the budget and appropriations from the budget. Particular attention is being paid to the quarterly distribution of financial indicators, so that they are not allowed to set too low, as often happened in 1982, the plans for profit and payments to the budget for the first quarter of the year, which is done by setting the fourth quarter too high.

This important effort is being supervised directly by the deputy ministers, chiefs of administrations of the republic's Minfin, and the chiefs of the oblast financial departments and the Kiev and Sevastopol city financial departments. A comprehensive study is being made of the possibilities of additional output of consumer goods thanks to drawing into production above-allocation remainders of raw materials and supplies, production waste and secondary resources and by improving normsetting on raw materials and other physical resources, which will increase output and the revenues of the budget.

The UkSSR budget for 1983 calls for financing measures aimed at increasing the efficiency and at intensification of the economy, at speeding up technical progress, at more optimum use of the production and scientific-technical potential, at strengthening the regime of conservation and thrift in use of physical and money resources which are being called upon to guarantee a further growth of the republic's economy and culture. Our entire financial system has been set the task of strengthening to the maximum the financial pressure for a rise in the efficiency of social production and of tightening up monitoring to enforce conservation and thrift in use of resources and the proper preservation of socialist property.

A most important feature of the republic's plan and budget for 1983 is their orientation toward conservation and thrift and toward a steady decrease in losses of raw materials, supplies, fuel and electric power. Unfortunately, last year at a number of enterprises of ferrous metallurgy, the coal industry, light industry, the food industry and local industry in the Ukraine excessively high standard rates of consumption of raw materials and supplies were still in effect, and there was a sizable overconsumption beyond the standards, and secondary resources and waste were not sufficiently drawn into production. Raw materials have been regularly overconsumed, for example, by the Kremenets "Vatin" Factory in Ternopol Oblast, the Donetsk Worsted Yarn Mill and Krivoy Rog Wool Yarn Mill and a number of other enterprises. Full

use has not been made of the potential for conservation of resources by many enterprises in the breadbaking, meat and dairy industries. In this connection the economic and monitoring effort of many financial agencies has not been effective enough and has not furthered as it should have improvement of financial and economic performance of lagging enterprises and their reduction of overexpenditures and unproductive expenditures and losses.

During this year the ministry's administrations for sectoral financing, the state revenues administration, the KRU [Monitoring and Auditing Administration] and the financial agencies must monitor more closely performance of measures to improve the setting of work quotas and allowances on physical resources and the economical use of resources by ministries, associations and enterprises. In the process of checks and analysis of financial and economic performance of enterprises and comprehensive audits of fulfillment of budgets they must make a comprehensive study of these matters at the local level and achieve complete elimination of the shortcomings, mismanagement and wastefulness discovered. The quality of analysis and checks conducted by financial agencies should be evaluated above all depending on the benefit, i.e., the result of performance of the proposals made, the actual conservation of physical resources and saving of money resources, reduction of production cost and growth of state revenues.

Strengthening the economy regime is closely bound up with speeding up the turnover of working capital. In 1983 365.5 million rubles were committed to increasing the standard allowance of own working capital in the republic's economy. The total size of the standard allowance of working capital in the economy subordinate to the UkSSR Council of Ministers reached 15,169 million rubles at the end of this year. This provides conditions for normal operation at a uniform pace by associations, enterprises and organizations. But recently large physical inventories above standard allowances have accumulated in a number of ministries and departments and at many enterprises. For the republic's industry as a whole as of 1 October 1982 they had reached 816 million rubles--157 million rubles more than on the corresponding date of the previous year. Sizable remainders have built up at enterprises of UkSSR Minchermet, Minugleprom [Ministry of Coal Industry], Minlegprom [Ministry of Light Industry] and Minpishcheprom [Ministry of Food Industry]. In the system of Minlegprom, for example, above-allowance remainders of finished products increased 2.2-fold over 9 months of last year and by 1 October amounted to 99.3 million rubles. In the Donetsk "Donbass" Garment Association they exceeded the allowance by 6.9 million rubles, in the Odessa Garment Association imeni Vorovskiy by 6.6 million, in the Lvov "Mayak" Association 6.3 million, in the Voroshilovgrad Footwear Association 2.7 million rubles. The main point is that these and certain other enterprises are continuing to produce some products for which the demand is limited.

Administrations of the Ministry of Finance and the republic's financial agencies must study more carefully the situation that has come about, submit constructive proposals and set up regular monitoring of performance of assignments broken down by ministries, departments, associations and enterprises for reduction of above-allowance inventories of commodities and supplies and for speeding up the rate of turnover of working capital. In this connection



they should be strictly guided by the instructions of the party and state on adoption of effective measures to make industrial products more economical and reliable, to utilize state resources more optimally, to put new products into production rapidly, and to increase in every way the output of goods in the superior-quality category.

It is necessary to direct efforts of economic authorities unswervingly toward activation of internal potential for the growth of output and profit through maximum use of capacities and elimination of above-plan idle time of equipment. It cannot be tolerated that more than half of the enterprises of UkSSR Minlegprom and Minpishcheprom activated or undergoing reconstruction in the 1976-1981 period have not fully reached their rated capacities.

Since certain associations and enterprises did not fulfill plans last year for labor productivity and the average monthly wage grew faster than the rise of labor productivity, financial authorities should monitor more thoroughly the fulfillment of this year's assignments for the rise of productivity and the effectiveness and economy in use of wage funds. This most important effort should be conducted locally in close contact with institutions of USSR Gosbank and Stroybank.

The basic provisions of the most important document--Decree No 695 of the CPSU Central Committee and USSR Council of Ministers, dated 12 July 1979--are now being applied to practice slowly and disconnectedly, and that is why the measures being taken are not having the impact they should on the financial and economic performance of many ministries and departments, associations, enterprises and organizations. Financial agencies must participate more actively in the introduction of new methods of conducting economic activity, relating them closely to the practical task of improving the performance of associations and enterprises.

In our republic, as indeed in the country as a whole, much attention is being paid to implementing the Food Program. The task is to radically alter the attitude toward the farm products which have been grown: reduce losses and improve preservation and quality. These requirements have been made the basis of the economic and monitoring and auditing effort of the republic's financial agencies.

Sizable financial resources have been committed to the development of agriculture. Just since the 1 January 1983 rise of purchase prices of cattle, swine, sheep, milk, grain, sugar beets, potatoes, vegetables, and so on, UkSSR kolkhozes and sovkhozes have received about 2.7 billion rubles of additional proceeds per year. The state has allocated to our republic 947 million rubles in the form of supplements to purchase prices of products sold to the state by farms operating at a loss or low profitability. Financial agencies have a duty to see that these very large resources are committed above all to further strengthening of the material and technical base of kolkhozes and sovkhozes and to increasing the efficiency of agricultural production.

In order to carry out the Food Program we must raise the economic and monitoring effort to a higher level, increasing the efficiency of agricultural

production by using financial levers: reduction of production cost, ensuring preservation of output, increasing profitability and the maximum return from the resources invested. The financial department in the rural rayons must correctly determine the size of payments of supplements to purchase prices.

Economic development depends in large part on the state of affairs in capital construction. At the November (1982) Plenum of the party's Central Committee it was noted that serious shortcomings have not yet been overcome in this sphere, assignments are not being carried out for activation of capacities, and an indication was made of the need to increase the share of reconstruction and modernization and step up the campaign against the squandering of manpower and resources over a large number of projects. In UkSSR measures have been taken and are now being taken to increase the efficiency of capital investments, to concentrate material and technical, labor and financial resources at the most important projects near completion, and to increase the scale of projects for reconstruction and retooling of existing enterprises. At the same time, last year many republic ministries, departments and oblispolkoms did not fulfill assignments for activation of capacities and fixed capital. Mainly because of nonfulfillment of plans for delivery of the marketable construction product and for sales of industrial products and because the planned cost of operations was exceeded the Ukraine's construction ministries had a shortfall of almost 90 million rubles of profit. In organizations operating as contractors there were as in the past large overexpenditures of building materials and the wage fund, and poor use is made of construction equipment. This applies above all to Kharkov, Poltava, Odessa, Khmel'nitskiy, Ivano-Frankovsk, Transcarpathian and Chernigov Oblasts. Financial agencies must tighten their monitoring of financial and economic performance of construction projects and contractors and the fulfillment of assignments to activate internal potential in capital construction.

The complicated tasks of fulfilling the budget for this year necessitate further improvement of work on state revenues. Last year, though there was improvement in a number of indicators of this effort, plans were not fulfilled by all financial agencies nor for every source of revenue. The Voroshilovgrad, Poltava and Chernigov Oblast financial departments did not fulfill the overall plan for the turnover tax, the Crimean failed for nine branches of industry, the Kharkov for five, and Kirovograd, Lvov, Kherson, Odessa and Transcarpathian for four branches of industry. The annual plan for state revenues as a whole was not fulfilled by 17 of the republic's financial agencies, the plan for the turnover tax by 27, the plan for payments from profit to the union budget by 64, to the republic budget by 113, and to local budgets by 82, the plan for the tax on income from showing films--by 55, the income tax on cooperative organizations by 131 financial agencies. Often this was the consequence of too little monitoring by individual financial agencies. They did not see to it that trade organizations received their full stocks of vegetable oil, margarine, sugar, confections, footwear and certain other goods, nor did they work systematically to organize fulfillment of plans for certain types of budget revenues.

In 1983 the republic's financial agencies must see that the country's budget receives 37.6 billion rubles of state revenues, 1.7 billion rubles more than last year's plan. That means that administrations for state revenues and for sectoral financing of the Ministry of Finance, oblast financial departments, and the Kiev and Sevastopol city financial departments must unstintingly follow up on fulfillment of production plans by every association, enterprise and organization and performance of deliveries of high-quality goods in the specified nomenclature and assortment.

A most important source of the growth of financial resources and budget revenues is the growth of production and expansion and renewal of the assortment of consumer goods. But many of the republic's financial agencies are not making enough effort to see that reserves are discovered and used for additional production of these goods and are not adequately monitoring fulfillment of assignments for their manufacture by enterprises and organizations. Last year in the republic 250 enterprises under union jurisdiction, 938 under republic and 378 under local jurisdiction had a shortfall of 119 million rubles of such goods. Together with planning and economic authorities, financial agencies should radically improve this effort this year. Assignments for the total volume of production of consumer goods and for the output of such goods per ruble of wage funds were envisaged for the first time to cover 1983. The assignments must be fulfilled everywhere.

Last year the overwhelming majority of the republic's financial agencies were not in arrears as of reporting dates (except for four rayon financial departments in Chernigov and Vinnitsa Oblasts and the Krivoy Rog city financial department). This indicates a great effort to strengthen payment discipline and shows that it is possible to operate without being in arrears.

The materials of audits and checks in 1982 show that a number of financial agencies are still slow to improve the quality of checks on accounts and commit serious errors in computing payments from enterprises and organizations, causing undercollection of budget revenues. This is causing serious concern and requires that the senior officials of financial agencies radically improve the effort to improve the qualifications of specialists and to make them more responsible for the jobs assigned them.

Appropriations for social welfare and cultural programs are increasing every year. The republic's budget for 1983 envisages 12.4 billion rubles for these purposes, or 50.8 percent of all the expenditures in the budget. It is the task of financial agencies to see that they are used correctly and economically. The Collegium of the UkSSR Minfin regularly examines in its sessions the status and measures to strengthen monitoring of financial agencies of expenditure of appropriations to maintain budget-financed institutions, especially for wages of personnel in social welfare and cultural institutions. Yet the checks and audits which the ministry ran last year indicate that financial agencies of Donetsk, Dnepropetrovsk, Lvov, Poltava, Kherson and Chernigov Oblasts are slow to improve prior and current monitoring in this area, they are not fully planning and conducting checks into the correctness of the computation and payment of wages to teachers, physicians and other personnel of budget-financed institutions; as a result the oversights, errors and

excesses in this area are not being corrected immediately or fully by any means.

Prior and current monitoring of the correctness and thrift of expenditures of funds allocated from the budget to finance social welfare and cultural programs needs to be improved.

In carrying out the decisions of the party and state, Minfin and local financial agencies in the Ukraine last year did a great deal of work to improve the administrative apparatus and make it less expensive and to strengthen the monitoring of enforcement of discipline as to staff size and budget by ministries, departments, associations, enterprises and organizations. On the basis of the materials of the checks run by financial agencies the pay of officials was stopped to make up deficiencies. By way of partial reimbursement of the loss they caused 532,000 rubles were confiscated into the budget, 37 percent more than in the previous year. There were greater results from the effort concerning staff size in the financial agencies of Voroshilovgrad, Donetsk, Lvov, Crimean, Sumy, Kharkov and Cherkassy Oblasts.

But in enterprises, associations and organizations of a number of the republic's ministries and departments there are still cases of unjustified expansion of the size of the administrative staff and violations of discipline concerning staff size and budget. We should emphasize that certain financial agencies are still doing little to combat this. In Chernigov Oblast, for example, in 1982, as indeed in the previous year, violations and unlawful expenditures for the administrative staff were discovered in one-fifth of the enterprises. But because of a slackening of the effectiveness of financial monitoring, the number of officials who were made financially accountable dropped to two-fifths of what it had been. The effectiveness of the work on staff size has been low in many financial agencies of Kirovograd, Nikolayev, Kherson and Khmelnytskyi Oblasts. The ministry's administration for staff size and financial agencies must continue to persistently improve the monitoring of the saving on expenditure of funds for administration and be more principled in deciding questions of making violators of discipline concerning staff size and budget subject to disciplinary and financial penalties. The effort should also continue everywhere to improve the administrative staff and make it less expensive, to fulfill on time and in full the assignments of 1983 for reduction of expenditures for management and for the inflow of the funds saved into the budget.

Much was done last year by the monitoring and auditing staff of UkSSR Minfin. During the audits and checks errors and violations were discovered whose correction made it possible to increase budget revenues by 95 million rubles (5 million rubles more than in the previous year). Excessively high appropriations were reduced by 14 million rubles. In all, 58.2 percent of the unlawful expenditures, shortages and thefts discovered in audits were restored and reimbursed. Party and Soviet authorities and people's control agencies made 2,572 rulings on the basis of materials of audits and checks. There were 2,398 above-staff and superfluous jobs eliminated, and 377,000 rubles were confiscated into the budget on the basis of pay stoppages against officials to blame for unlawful expenditure of state funds in order to partially reimburse the damage they had caused.

Yet there are still certain shortcomings and oversights in the monitoring and auditing effort. Many audits are not accompanied by a thorough check of the completeness of recording incoming revenues and of the legality of expenditure of money resources and physical inventories; in a number of cases surveys are not made of work done nor are inventories taken of commodities and supplies, and the soundness of payment of wages to persons combining occupations is not ascertained. Accordingly, cases of abuse and theft of state resources were not always exposed in good time or completely. To be specific, in spite of the audits and checks run by financial agencies and the monitoring and auditing staff, thefts were not detected on time in the centralized bookkeeping departments of cultural institutions of Babushkinskiy Rayon in Dnepropetrovsk, the Vradiyevka Settlement Soviet in Nikolayev Oblast. There were also poor-quality audits into the fulfillment of village budgets by financial agencies and the staff of the KRU in Crimean, Ternopol and Cherkassy Oblasts. It is alarming that in Crimean, Nikolayev, Ternopol and certain other oblasts such errors have been repeated by one and the same units for several years now. The KRU of the ministry and key officials of the republic's financial agencies must thoroughly analyze the causes of the shortcomings that occurred last year in the organization of monitoring of the preservation of state resources in the economy and of centralized bookkeeping departments of budget-financed institutions and village and settlement soviets. They must conduct an analysis and take additional steps to improve the quality and results of the monitoring and auditing effort.

This year there is quite a bit for the ministry and financial agencies to do in order to further improve the work with personnel. In his speech at the November (1982) Plenum of the CPSU Central Committee Yuriy Vladimirovich Andropov noted: "Personnel need to be correctly assigned so that people who are politically mature, competent, who possess initiative and organizational abilities and a sense for the new are standing in the decisive areas; otherwise management cannot be successful in our time." In the light of these requirements the ministry's collegium, the administration for personnel and educational institutions, and the key officials of financial agencies should be more scrupulous and businesslike in deciding questions of selection, assignment and training of personnel and improvement of their qualifications.

In 1982 the composition of personnel improved in the republic's financial agencies (above all in Kiev, Rovno and Cherkassy Oblasts and Kiev); the number of job vacancies dropped by almost one-third, personnel turnover dropped, and there was a growth of the party stratum. At the same time, in the financial agencies of Kharkov, Poltava, Zhitomir, Zaporozhye, Odessa and Sumy Oblasts there were unfilled vacancies as of 1 January 1983. Personnel turnover rose in Zhitomir, Crimean and Kharkov Oblasts.

In all financial agencies there is a need to make a thorough study of financial and budget legislation, to exchange experience extensively on the organization of work, and to inculcate in every person a sense of responsibility for the area assigned him. It is an important task to recruit extensively financial personnel with secondary specialized education to undertake correspondence studies in higher educational institutions and to retrain all specialists at universities and in courses for improvement of qualifications.

The key officials of financial agencies must show constant concern for strengthening in every way the work discipline and official discipline in collectives, for improving the organization of socialist competition, the tutor program and the movement for the communist attitude toward work.

The republic's financial personnel have this year joined the All-Union Socialist Competition with great enthusiasm and work elan, they have adopted socialist obligations: on the basis of a further rise in the level of economic statistics and monitoring and auditing work and fuller activation of the unused potential of the economy, a tighter regime for conservation and thrift in use of physical resources and money, to credit 380 million rubles over and above the plan for the USSR State Budget.

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## REGIONAL DEVELOPMENT

### LENINGRAD LOCAL SOVIETS GIVEN GREATER PLANNING ROLE

Leningrad LENINGRADSKAYA PRAVDA in Russian 16 Sep 83 p 1

[LenTASS article: "To Improve Planning of Comprehensive Economic and Social Development"]

[Text] As has already been reported in the press, the Politburo of the CPSU Central Committee examined proposals on further improvement of planning of comprehensive economic and social development for the cities of Moscow and Leningrad.

A decree on this question was adopted by the CPSU Central Committee and the USSR Council of Ministers.

A conference of the Leningrad party organization's aktiv was held in Smol'nyy. Party, soviet, trade-union and Komsomol personnel and heads of enterprises and organizations took part in it. Tasks stemming from the decree of the CPSU Central Committee and the USSR Council of Ministers were discussed. L.N. Zaykov, first secretary of the Leningrad Party Obkom, spoke on this question.

The examination at a session of the Politburo of the CPSU Central Committee of questions relating to further improvement in planning of comprehensive economic and social development of Leningrad, it was pointed out at the conference, is one more convincing evidence of the party's Central Committee's constant consideration of the labor and life of Leningraders.

Together with decisions adopted earlier, this decree makes it possible to provide a closer connection between sectorial and regional aspects of planning, to better distribute and utilize existing labor resources and capacities of contracting organizations and on this basis to achieve high end results in work.

In accordance with the decrees of the USSR Council of Ministers adopted on the initiative of the party obkom, supported by the CPSU Central Committee, which established a new procedure for planning of comprehensive economic and social development of Leningrad and Leningrad Oblast, a great deal of work was done on enhancing the role of local soviets in planning and providing a better combination of sectors' interests in the development of the city and the oblast. For this purpose, a radical reorganization of Leningrad's planning organs was carried out; their rights were expanded and a definite procedure was

specified for forming plans of economic and social development. The relations of local soviets with Gosplan USSR and ministries and departments were likewise regulated.

Under the supervision of the Leningrad party organization, a well-balanced system for working out of plans and exercising control over their implementation was created, and the efforts of party, soviet and operational organs were concentrated on the solution of key problems.

Today's agenda includes new, more complex tasks that correspondingly require further improvement in the practical work of comprehensive planning while relying on accumulated experience. It is namely these aims that the adopted decree of the CPSU Central Committee and the USSR Council of Ministers addresses. What is the nature of the new requirements?

First, the CPSU Central Committee and the Council of Ministers has obliged the Leningrad Soviet's ispolkom, when forming drafts of five-year and annual plans, to provide for the entire development on the basis of regional targets:

--for the production of consumer goods made by all enterprises and organizations regardless of departmental subordination;

for the development of capacities of all contracting construction organizations and enterprises of the construction industry with allocation of volume according to the Leningrad Soviet's ispolkom;

to create an interdepartmental commission under the Leningrad Soviet's ispolkom for the examination of submitted proposals on modernization and reequipment of existing enterprises and of their further specialization and removal of production operations that are of different type or harmful in the fire or sanitary sense.

Second, the rights of the Leningrad Soviet's ispolkom and of its planning commission in relations with ministries and departments have been still further expanded. Specifically, ministries and departments are obliged to examine together with the Leningrad Soviet's ispolkom drafts of five-year and annual plans for the development of enterprises and organizations located in Leningrad prior to their presentation to Gosplan USSR and the RSFSR Council of Ministers.

Third, ministries and departments must coordinate the basic indicators of drafts of consolidated plans on the development of the capacities of contracting construction organizations and volume of contracting work scheduled to be performed in the city.

Fourth, ministries and departments are obliged to provide in drafts of five-year and annual plans targets for removal from Leningrad of enterprises and production operations of nonrelated type.

Special attention was paid at the conference to questions of modernization and reequipment of enterprises, ensuring of advancing labor productivity growth rates compared to growth of production volume with reduction of workers'

numbers and in regard to increase of output, expansion of assortment and improvement of consumer goods' quality. It should be emphasized that whereas formerly these tasks essentially directly applied only to Leningrad, with the new decree, they directly apply to cities in the oblast as a whole.

Great importance is attached to strengthening of intersectorial ties. For this purpose there are to be created during 1984-1990 centralized production operations for the making of means of mechanization, industrial equipment and packing, repair services and warehouse bases.

Measures were also specified for raising the work efficiency of scientific-research and experimental-design organizations located in Leningrad, improving their operational coordination, eliminating parallelism and duplication and reducing the number of persons working in scientific and scientific-service organizations.

Taking into consideration that beginning in 1986 the Leningrad Soviet's ispolkom will be given targets on a separate line in five-year and annual plans for the development of sectors of Leningrad's city economy and beginning in 1984 Gosplan USSR and the RSFSR Council of Ministers will establish limits on capital investment and construction-installation work for these purposes--without a breakdown as to directions, the task has been set to allocate efficiently and correctly these funds and to achieve their full use.

Relying on the right granted to the Leningrad Soviet's ispolkom to form reserves of capital investment and construction-installation and planning work as well as reserves of raw materials, fuel, equipment and other material resources within the range of 5 percent of allotted limits as well as 2 percent of the wage fund, measures were outlined for these funds to be effectively utilized on the release of "bottlenecks" in the city's economy. These reserves will also be allocated for the fulfillment of that work which for one reason or another is found to be outside the scope of the plan.

Great importance is to be attached to that provision of the decree which provides for the creation of a centralized reserve of funds of enterprises and organizations within the jurisdiction of the Leningrad Soviet's ispolkom in regard to economic incentive funds ranging up to 15 percent in size. In Leningrad and the oblast a practice was established long ago of accumulation of funds of enterprises and organizations for the accomplishment of social and cultural measures and housing construction. The new decree retains this right.

At the present time, development is approaching conclusion of a better defined system of formation, accounting and control over the fulfillment of plan targets at all levels of management in the region. This system should provide strict periodicity and order of examination by appropriate party, soviet and operational organizations of all questions pertaining both to planning of the economic and social development of enterprises, organizations, sectors and administrative regions for Leningrad and the oblast as a whole and to control the course of realization of these plans.

Similar work should immediately be carried out in each rayon so as to have by the end of the current year a fully completed system for the development of and control over the realization of comprehensive plans in all reserves.

Particularly complex and responsible tasks have to be solved by the planning commissions of the ispolkoms of the Leningrad city and oblast soviets of people's deputies. First and foremost it is necessary to raise the level of planning work, providing for the best intercommunication between each other and to more fully introduce ASPS (automated system of planning calculations), balance calculations and alternative solutions.

The conference participants actively emphasized that a businesslike reply to the concern of the party and the government for expansion of Leningrad economy should be a steady rise in the efficiency of all sectors of the city's and oblast's economy and strengthening of planning, labor and production discipline in the light of the requirements of the November (1982) and June (1983) plenums of the CPSU Central Committee.

✓ One of the chief, first-priority tasks of party, trade-union and Komsomol organizations and of soviet and operational organs, it was stated at the conference, should be ensuring the unconditional fulfillment of the plan targets and socialist commitments of the current year and emergence on the positions prescribed by the five-year plan.

The participants of the conference expressed deep gratitude in the name of the Leningrad party organization to the party's Central Committee for the big help provided in the practical realization of all complex questions and assured the Political Bureau of the CPSU Central Committee that the communists and all workers of the city of Lenin and Leningrad Oblast will be more determinedly working on the implementation of the directives of the 26th party congress, the plenums of the CPSU Central Committee and the instructions and recommendations of Yuriy Vladimirovich Andropov and will increase their contribution to the economic and defense might of our Motherland.

The following bureau members of the CPSU obkom participated in the work of the conference: B.S. Andreyev, R.S. Bobovikov, A.N. Gerasimov, V.I. Korzhov, P.P. Mozhayev, I.I. Nikulin, N.I. Popov and Yu.F. Solov'yev and secretaries of the Leningrad Party Gorkom A.F. Dubov, T.I. Zhdanova and A.M. Fateyev.

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